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**LAW, STATE AND THE INTERNATIONALISATION  
OF AGRICULTURAL CAPITAL IN GHANA:  
A Comparison of Colonial Export Production and  
Post-Colonial Production for the Home Market**

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## SYNOPSIS

Law and State, especially forms of landed property and contract, have played an important mediatory role in the internationalisation of agricultural capital in Ghana. The establishment of cocoa production in Ghana in the late nineteenth and the early part of the twentieth century established the predominance of small holder peasant production in Ghanaian agriculture. The production and export of cocoa also established a specific form of internationalisation of agricultural capital in Ghana. This involved the subsumption of peasant commodity producers within the circuit of international capital. Because capital did not directly control production its relations with the peasantry centred around struggles over both the conditions of labour, in the sphere of production and over the realisation of the value of the peasants' product, in the sphere of circulation. These struggles were moulded by legal forms of landed property controlled by the direct producer and the character of the contractual relationship between peasant and the representatives of capital.

The transformation induced by cocoa production included changes in forms of landed property, a process in which the colonial state played an important role. These changes have been a significant influence on the subsequent forms of internationalisation of agricultural capital in the post colonial period. The thesis shows through an analysis of the post colonial sugar and oil palm industries the nature of this influence. It also shows how the shift in the proclaimed objectives of the state from the colonial concern with export agriculture to the "nationalist" post colonial goal of self reliance came to be co-opted by new forms of international capital and the mediatory role of legal forms, especially contract, in this process of co-optation.

This work is based mainly on written primary and secondary sources, complemented by interviews with some officials of some of the institutions covered in the thesis. My secondary sources include unpublished essays and thesis, books, articles, reports, studies by companies, government bodies and similar such published material. Most of the primary material used in the parts of the work that deal with the colonial period come from the British Public Records Office and the Ghana National Archives in Accra. For the post colonial period a substantial part of the primary information was gathered using personal contacts in various state institutions, particularly the Ministry of finance and Economic Planning, the Attorney General Department and the Ghana Investment Centre.

TABLE OF CONTENTS

<b>Tables</b>	vi
<b>Legislation</b>	vii
<b>Abbreviations</b>	viii
<b>Acknowledgements</b>	x
<b>Chapter 1     Introduction</b>	<b>1</b>
<b>Chapter 2     Colonial State and Agriculture</b>	<b>22</b>
2.1.            The Colonial State	22
2.2.            The Evolution of Agricultural Policy	28
2.2.1.          Laying the Basis for Economic Agriculture	30
2.2.2.          Forced Labour and Road Construction	31
2.3.            The Promotion of Export Crops	39
2.3.1.          Lever's Abortive Oil Palm Scheme	42
2.3.2.          The Spread of Cocoa	47
<b>Chapter 3     Transformation of Land Relations</b>	<b>51</b>
3.1.            Pre-capitalist Land Relations	53
3.2.            The Abortive Land Bills	58
3.3.            Transformation...	64
3.3.1.          The new usufruct	64
3.3.2.          The new "stranger"	66
3.4.            ... and Contradictions	70
3.4.1.          Defining a Grantee's Interest	72
3.4.2.          Jurisdiction Disputes	77
3.5.            Pattern of State Intervention	78



<b>Chapter 4</b>	<b>The Cocoa Marketing System</b>	<b>83</b>
4.1.	The International Market	84
4.2.	The Local Marketing System	86
4.2.1.	The Organisation of Capital	86
4.2.2.	Merchants and Brokers	89
4.2.3.	Prices, Peasant Indebtedness and Resistance	94
4.3.	The Great Depression and the Showdown	106
4.3.1.	The Merchants' Response	107
4.3.1.1.	The 1937 Buying Agreement	109
4.3.2.	The Farmers' Reaction	112
4.3.3.	State, Law and the Crises	115
4.4.	Towards the Cocoa Marketing Board	119
<b>Chapter 5</b>	<b>State Regulation of Production</b>	<b>120</b>
5.1.	Production Techniques and Farm Maintenance	121
5.2.	State and Crop Quality	132
5.2.1.	Controlling Quality: 1910-1927	135
5.2.2.	Controlling Quality: 1922-1939	139
5.3.	The Cooperatives' Strategy	146
<b>Chapter 6</b>	<b>Sugar and Oil Palm: 1951-1975</b>	<b>157</b>
6.1.	The Pattern of Demand for Sugar, Soap and Palm Oil	157
6.2.	The Sugar Industry: 1953-1973	161
6.3.	Palm Oil and Soap Production: 1951-1975	176
6.3.1.	Tallow-based Soap in Oil Palm Country	176
6.3.2.	The Tripartite Oil Palm Projects	184
6.4.	The Special Agricultural Scheme (SAS)	186
6.4.1.	The Fate of SAS Projects	197

<b>Chapter 7</b>	<b>The Creation of GHASEL, GOPDC, BOPP and TOPP</b>	203
7.1.	The Politics of Gestation	205
7.1.1.	The GHASEL Project	207
7.1.2.	The Kwae (GOPDC) Scheme	212
7.1.3.	The Twifo (TOPP) Scheme	216
7.1.3.1.	The Smallholder Scheme	219
7.1.3.2.	Funding and Private Foreign Firms	222
7.1.4.	The Benso Oil Palm Plantation	228
7.2.	IDFIs and Agribusiness TNCs	231
<b>Chapter 8</b>	<b>Distribution of Costs, Power and Benefits</b>	242
8.1.	Distribution of Financial costs and Risks	242
8.2.	Land and Infrastructure	254
<b>Chapter 9</b>	<b>Sugar and Oil Palm Contract Farming Schemes</b>	276
9.1.	Design of Case Study Schemes	277
9.2.	Terms of Farmer-Estate Contracts	280
9.2.1.	Selection Criteria and Grower Characteristics	280
9.2.2.	Farmers' Obligations	285
9.2.3.	Responsibilities of the Estate	287
9.3.	Subsumption versus Benefit	290
9.4.	Operation of the Contracts	296
9.4.1.	GHASEL's failure	296
9.4.2.	GOPDC's Success Story	311
<b>Chapter 10</b>	<b>Terms and Operations of Management Contracts</b>	317
10.1.	Origins of Management Contracts	318
10.2.	Decision Making Powers and Structures	321
10.3.	Transfer of Technology and Training of Local Staff	327
10.3.1.	Training Provisions of Management Contracts	329
10.4.	Remuneration of the Managing Agents	342

10.5.	Monitoring and Verification Mechanisms	347
10.5.1.	Enterprise Level Monitoring and Supervision	348
10.5.2.	Monitoring by Public Bodies	352
 <b>Chapter 11 Conclusion</b>		 359
 <b>Appendix One Model Outgrower Contracts</b>		 375
 <b>Bibliography</b>		 397

List of Tables

<u>Table</u>		Page
6.1.	Schedule of SAS Transfers	189
7.1.	Distribution of TOPP Ltd. Shares	222
8.1.	Official Development Programme for TOPP	256

## **Principal Legislation**

Slave Dealing Abolition Ordinance, 1874 (No. 1 of 1874)

Emancipation of Slaves Ordinance, 1874 (No. 2 of 1874)

Supreme Court Ordinance 1876 (No. 4 of 1876)

Democratization Ordinance, 1880 (No. 2 of 1880)

Native Jurisdiction Ordinance, 1883 (No. 5 of 1883)

Adulteration of Palm Kernels, Ordinance, 1898 (No. 15 of 1898)

Roads Ordinance 1894 (No. 13 of 1894)

Chiefs Ordinance 1904 (No. 4 of 1904)

Palm Oil Ordinance, 1913 (No. 10 of 1913)

Cooperative Societies Ordinance, 1931 (No. 4 of 1931)

Cocoa Industry (Regulation) Ordinance, 1937 (No. 14 of 1937)

Cooperative Societies Ordinance, 1937 (No. 15 of 1937)

Statutory Corporations Act, 1961 (Act 41)

Statutory Corporations Act, 1964 (Act 232)

Ghana Industrial Holding Corporation Decree, 1967 (NLCD 207)

Capital Investment Decree, 1973 (NRCD 141)

Conveyancing Decree, 1973 (NRCD 175)

Investment Policy Decree, 1975 (NRCD 329)

Hemang Lands (Acquisition) Decree, 1975 (NRCD 332)

Investment Code, 1985 (PNDCL 116)

## **Subsidiary Legislation**

State Farms Corporation Instrument, 1965 (LI 398)

Sugar Products Corporation Instrument, 1965 (LI 407)



# ABBREVIATIONS

7YP	Seven Year Development Plan
ADB	Agricultural Development Bank
BOPP	Benso Oil Palm Plantation
CDC	Commonwealth Development Corporation
CIB/GIC	Capital Investment Board/Ghana Investment Centre
CO	Colonial Office
CPP	Convention Peoples Party
EDF	European Development Fund
FAO	Food and Agriculture Organisation
GHASEL	Ghana Sugar Estates Limited
GIHOC	Ghana Industrial Holding Corporation
GNA	Ghana National Archives
GOPDC	Ghana Oil Palm Development Corporation
GTMC	Ghana Textiles Manufacturing Company
HVA	Handel Vereniging Amsterdam
IDA	International Development Association
IDFI	International Development Finance Institution
IFC	International Finance Corporation
IRHO	Institut de Recherche pour le Huiles et les Oleagineux
JTL	Juapong Textiles Limited
MC	Management Contract
MFEP	Ministry of Finance and Economic Planning

MOA	Ministry of Agriculture
NIB	National Investment Bank
NLC	National Liberation Council
NRC	National Redemption Council
PASICO	Paterson Simons
PG	Plantations Group
PNDC	Provisional National Defence Council
PZ	Paterson Zochonis
SAS	Special Agricultural Scheme
SFC	State Farms Corporation
SMC	Supreme Military Council
TCTT	Technical Committee on Technology Transfer
TNC	Transnational Corporation
TOPP	Twifo Oil Palm Plantation
UAC	United Africa Company
UNCTC	United Nations Centre on Transnational Corporations

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## CHAPTER ONE - INTRODUCTION

This thesis analyses how law and state have mediated the internationalisation of agricultural capital in colonial and post colonial Ghana, particularly the role of contract and forms of landed property in this process. For the colonial period the discussion centres around the relationship between smallholder peasant cocoa production and merchant and industrial capital up to the creation of a state marketing board at the beginning of the Second World War. For the post colonial period the work, on the basis of four case studies, analyses the involvement of various types of capital - industrial, finance and state capital - in the oil palm and sugar sub-sectors. Three oil palm plantations and the sugar industry constitute the case studies. An important thread running through and linking the selected crops and historical periods is the evolution of the forms of agricultural production and subsumption of labour by capital. As we show subsequently this runs from failed attempts, in the early colonial period to create the conditions for plantation agriculture, through the rise and dominance of smallholder peasant cocoa production to the establishment of nucleus plantations with outgrowers in the 1970s.

As in most of sub-Saharan Africa the agrarian transition effected in Ghana by the more systematic penetration of capital that followed the "qualitative historical leap" (Bernstein,1979,423) of formal colonisation took the form of the deepening subsumption of the peasantry through the further commoditisation of elements of their reproduction rather than their expropriation and transformation into wage labourers. Because capital does not directly control production its relations with the peasantry

centre around struggles over the conditions of labour, in the sphere of production and over the realisation of the value of the peasants' product, in the sphere of circulation. These struggles were moulded by legal forms of landed property controlled by the direct producer and the character of the contractual relationship between peasant and the representatives of capital. The mechanisms of subsumption of the "independent" producer are central to the discussion of the crops focused on in this work.

This work argues that the initial phase of subsumption of Ghanaian agricultural producers, during the colonial period, involved changes in forms of landed property, a process in which the colonial state played an important role, and that these changes have been a significant influence on the subsequent forms of internationalisation of agricultural capital in the post colonial period. I seek to show how the shift in the proclaimed objectives of the state from the colonial concern with export agriculture to the "nationalist" post colonial goal of self reliance came to be co-opted by new forms of international capital and the mediatory role of legal forms, especially contract, in this process of co-optation.

The analysis in the thesis proceeds from the premise that the nature of "law and state" cannot be understood outside concrete historical context and determinate social relations. Law, legal relations and forms of state are rooted in the material conditions of social life<sup>1</sup>. This broader social totality includes both the nation-state and the global political economy. In his work on law and state in Papua New Guinea,

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<sup>1</sup> This point is persuasively illustrated from different theoretical standpoints by the selection of material in Section I of a useful reader compilation by Ghai, Luckham and Snyder (1987).



Fitzpatrick (1980,28) defines law as "a type of state action, distinctive in certain operational ways, but sharing its functions with other types of state action." He confesses to finding it impossible to give even the most superficial descriptive content to laws without seeing them as integral parts of various sets of state action (See also Fitzpatrick,1983,160). Shivji (1986,1) follows Marx and Engels (1976,92) and asserts in the very opening sentence of his study of law, state and the working class in Tanzania that "Law does not have a history of its own" (See also Ghai, et al.,1987,xiii; Snyder,1981,10). The analysis of law in a broader social totality must therefore involve "a multi-disciplinary methodology encompassing other social scientific disciplines as well as law" (Adelman and Paliwala,1993,14).

The conception of law in this work is linked with the existence of a state. The historical starting off point for this study is the imposition of formal colonial rule, a central aspect of which was the creation of the colonial state. In the Gold Coast as in other colonies law and state played a crucial role in the destruction of "natural economy" and the emergence of agricultural commodity production supplying raw materials to Western capitalist industry (Alavi,1975; Banaji,1977; Bernstein,1979; Goodman and Redclift,1981,ch.2). Szereszewski's classic study (1965) has shown how within a twenty year period, 1891-1911, the Gold Coast was transformed into a dependent colonial economy aiding the accumulation of capital in the advanced capitalist countries through the production and export of raw materials, primarily agricultural commodities. Central to this process of fundamental transformation analysed by Szereszewski was the development of smallholder peasant cocoa production. By 1911 the Gold Coast was the world largest producer of cocoa and in 1926/27 accounted for a phenomenal 45 per cent of world supply.

The development of Gold Coast cocoa production was at once a process of transformation of agrarian relations and also of internationalisation of capital. Cocoa production which was the spearhead of the penetration and expansion of capitalism in Ghanaian agriculture was an aspect of the phase of internationalisation of capital that followed the capitalist crisis of the 1870s. The development in the Gold Coast was more than a domestic revolution. It was also a leading edge of an international one which had two major aspects. Firstly it was part of the geographical shift of the main sources of the world's supply of cocoa from Latin America and the Caribbean to mainland Africa. The other aspect of the international revolution was the new pre-eminence of smallholder peasant production over the hitherto dominant plantation cocoa production (Wickizer, 1951, 262-268; Gunnarson, 1978, 4-6).

The creation of the colonial state and the intertwined process of establishing the conditions for the spread of commodity relations are the subject matter of Chapter 2 of the thesis. The creation of the colonial state combined a process of destruction and co-optation of local states, involving the well known methods of military campaigns, intrigue and intimidation and bribery. It is argued that the colonial state, based on indirect rule, was inherently unstable and weak and that this factor was to remain a constraint on its activity throughout the colonial period. The facilitation of the spread of commodity relations combined administrative and legal intervention: forced labour legislation to secure unpaid labour for building roads that opened up the country coexisted with an investigation into the prospects for commodity agriculture and the establishment of a Department of Agriculture. The forced labour legislation provide early examples of the colonial manipulation of customary law forms. The chapter

reviews the debate about the factors behind the emergence of smallholder rather than plantation agriculture in the Gold Coast. It also discusses the related issue of the reasons for the spread of cocoa production and the failure of attempts by Lever Brothers to revive palm oil production for export.

The emergence of widespread export agricultural production had a revolutionary impact on land relations in the cocoa growing areas and moulded the basic principles of "customary land law" in conditions of commodity production. Chapter 3 discusses this issue of transformation of land relations. The analysis starts with an attempt to re-construct pre-colonial land relations in the cocoa growing areas. This lays a basis for an understanding of the objectives of two important, failed legislative attempts by the colonial state to effect a radical transformation of property relations, how and why the particular changes in landed property relations caused by cocoa production occurred. Snyder's study (1981) of the effect of subsumption within the world capitalist economy on legal forms among the Banjul of Senegal found not only a pattern of uneven changes in legal forms but also that while the *appearance* of these forms were only partially altered as *concrete concepts* they were radically transformed. A similar pattern of uneven rupturing of pre-colonial landed property relations, transformation of legal forms and divergence between *appearance* and *content* of legal forms has occurred in concepts related to transactions in and use of land as a result of cocoa farming. The most important of these related to the customary law usufruct, the status of 'strangers' and the transformation of pre-colonial tribute/rent.



We have already noted that because capital did not directly control peasant cocoa production its relations with the producers centred around struggles over the conditions of labour, in the sphere of production and over the realisation of the value of the peasants' product, in the sphere of circulation. The thesis argues that while the central conflict over quantity, quality and price of cocoa was between the peasantry and capital, i.e merchant and industrial capital there was an important subsidiary conflict between the two types of capital. Just as it had previously controlled the international trade in petty commodities, European merchant capital became the main intermediary between the Gold Coast cocoa producers and the industrial users of the crop. Kay (1975,94) has noted that in every society, capitalist or non-capitalist, merchant capital

has no direct control over the labour process and is always dependent on the class which does, even where it dominates this class... it must always engage in unequal exchange to appropriate part of the surplus product of society... as capital is always driven to accumulate and in this way as a medium through which the law of value is brought to bear on all parts of the economy, particularly the sphere of production. The repercussions of those features, however differ with the nature of society.

In non-capitalist societies an important effect of merchant capital is that "it subjects production more and more to exchange value, by making consumption and existence more dependent on sale than on the direct use of the product" (Marx,1981,448). The dramatic growth of cocoa production in the first decades of the 20th century testifies to the growing commoditisation of the reproduction of the cocoa peasantry. While the intensification of cocoa production makes more cocoa available it does not guarantee the quality of what is produced. For the cocoa farmer the concern is to sell cocoa produced with the least exertion at the highest possible price. For the industrial user of cocoa the commodity is a raw material of which not only *certain quantities* but also

*particular quality* is required, whereas for the merchant whose profit comes from the difference between prices at which goods are bought and sold the main concern is whether there is a profitable market for *any type of cocoa*. Chapters 4 and 5 deal with the legal implications and the role of the state in the struggles engendered by these conflicting interests.

Chapter 4 discusses the relationship and struggles between capital and the cocoa peasantry in the sphere of exchange in the period up to the creation of the marketing boards at the beginning of the Second World War. The cut off point is based on the argument that the 1937 cocoa hold up and the subsequent establishment of the cocoa marketing board marked the end of merchant capital's dominance of the local cocoa industry. We show the pattern of peasant resistance to capital which culminated in the historic 1937 hold up of cocoa. The analysis in this chapter highlights the role of contract in mediating the relationship between capital and the peasantry. Formally speaking the contractual relationship between the parties for the sale of goods: exchange between the farmer as owner of goods and a buyer offering money. The discussion shows that historical evolution of the relationship, as the farmers became more and more specialist commodity producers the real content of the contractual relationship extended the influence of capital over the production process though formal control over that sphere remained in the hands of the farmer.

Chapter 4 tries to show how the growing real subsumption of the peasant was directly linked to both his formal independence from capital and increasing dependence on commodity production which therefore makes him vulnerable to cyclical price

movements resulting in indebtedness. The analysis shows that precisely because of the formal legal relationship between farmer and cocoa buying firms usurious transactions, of buyers lending to farmers against future deliveries, are not characterised as money lending transactions. We discuss the debilitating impact of peasant indebtedness on the quantity and quality of cocoa production and the different attitudes of the colonial state, merchant and industrial capital to the issue.

Chapter 5 discusses how the colonial state allied with industrial capital sought to overtly intervene in and influence the production process of the cocoa peasantry, primarily to secure improvements in the *quality* of cocoa. Legal measures, including a manipulation of "customary law", formed an important part of this exercise. The analysis shows how in spite of its sympathy for the demands of industrial capital the effectiveness of state activity was constrained not only by the peasants' control of the labour process but by also the local dominance of merchant capital and the threat aggressive intervention posed to the fragile legitimacy of the colonial state. This chapter is the last on the colonial period.

The role created for the Gold Coast in the international division of labour had produced an economy with acute structural dislocations, with the following key features: a backward agrarian sector dominated by a single export raw material crop - cocoa - the fortunes of which exercise a decisive influence on the country's political economy; a dominant presence of foreign capital, especially monopoly capital, in key areas such as banking, mining, timber production and large scale commerce; and a disproportionately large commercial and service sector with hundreds of thousands of



unstable and insecure petty traders and other participants (Graham. 1984). A very high proportion of production and consumption in the Gold Coast was integrated through international trade rather than within the country, which had very little modern manufacturing industry. (Metcalf,1964;Seidman,1978). The popular explosion of anger in the 1948 riots highlighted the fragility and structural imbalance of the economy of the acknowledged African 'model colony' of the British Empire, thereby shattering many imperial illusions<sup>2</sup> and accelerating the pace of decolonisation.

The Watson Commission, which investigated the 1948 disturbances found that discontent about economic conditions in the Colony had been an important point of unity for the broad coalition of social strata that participated in the upheavals. It reported being "at every turn...pressed with the cry of industrialisation", though it doubted very much "if the authors of this cry really understood more than their vague desire for something that promised wealth and higher standards of life" (para.298). Although not directly articulated by the anti-colonial movement, the findings of the Watson Commission about dissatisfaction with shortages of consumer goods and the calls for industrialisation represent facets of the same phenomenon: unfulfilled demand in the home market<sup>3</sup>.

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<sup>2</sup>Barely two years before the riots a writer on constitutional affairs had celebrated the introduction of a new Gold Coast Constitution, which for the first time gave unofficial members an elected majority in the Legislative Council, with the declaration that "the Gold Coast people find themselves the pioneers of political advance and the touchstone of political competence in Africa" (Wight, 1946,207).

<sup>3</sup> See Austin (1970,ch 11) for an account of the anti-colonial protests and political developments in the Gold Coast between 1946-1951.

Despite the fact that the especial post war situation of the world and British economies was the immediate cause of the shortage of consumer goods in the Gold Coast the fundamental causes lay in the export-oriented agriculture which had developed under colonial rule and defined the political economy and social structure of the 'model' colony<sup>4</sup>. In drawing attention to this dimension of the colonial economy the 1948 riots, and the resultant comments of the Watson Commission, presaged a key problem of the post-colonial era and intractable pre-occupation of all its governments: the need to expand domestic production of basic agricultural staples and wider range of raw materials as well as basic manufactured commodities.

Sugar and soap, for which palm oil is a basic raw material, were among the commodities whose political importance had been highlighted in the 1948 consumer boycott and riots. Figures in the Watson Commission Report (1948, 37, table 3) indicate that 1947 sugar imports were only 54 per cent that of 1937-38. In the quinquennium before the Second World War the average annual consumption of sugar, all imported, was 6,100 tons. Imports of soap had reached a peak of over 4,000 tons in 1937. During the War annual imports of soap had been less than half the pre-War levels. The only local modern soap factory, the Accra Chemical Works, which was set up in 1934 and used coconut oil, had an annual output of only 585 tons. The two items were among the "small number of important commodities" in respect of which the Watson Commission thought the colonial government should work out "some system of rationing and of allocation and distribution...in the event of supply

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<sup>4</sup> The Watson Commission remarked on the Agriculture Department's "excessive attention to the problems of export crops in comparison with crops for home consumption...and the absence of plans for the future" (para 323).

conditions deteriorating" (para 243). The two commodities were to retain their political importance in the post-colonial years, featuring prominently in the volume and cost of imports that have produced balance of payments crises which then undermined successive regimes.

Periodic shortages of food and non-durable consumer goods have been a torch paper in the politics of the post-colonial period. In 1965/66 shortages and high prices of food and consumer goods provided a cover for the February 1966 coup against the government of the Convention People's Party (CPP) led by Kwame Nkrumah. In 1968/69 the National Liberation Council (NLC) regime set up by the coup faced strikes on account of poor food supplies and inflation. The factors that undermined the Progress Party government, setting it up for the January 1972 coup, included popular discontent over food prices. The chain of events that led to the downfall of the National Redemption Council/Supreme Military Council (NRC/SMC) regime was triggered by student protests in 1977 against poor and inadequate food, a protest that found wide resonance (Kraus, 1988:75-78). Typically, inadequate imports and a balance of payments crisis, usually linked with poor world prices for cocoa, have caused the food related unrest. The policies of Ghana's governments on sugar and oil palm (the main raw material for soap) broadly touch on the main elements of post-colonial agro-industrial policy, which sought to respond to the cyclical crisis, and new orientations in the role on international capital in Ghanaian agriculture.

Chapter 6 discusses the development of the post colonial sugar and oil palm industries up to the mid 1970s. It charts the history and problems of efforts to develop national



sufficiency in sugar and oil palm, the role of international capital in this process and the factors that affected the outcome of the efforts. The developments took place amidst the differing economic strategies of successive regimes from the neo-classical liberalism of the first decade (1951-61) of the Nkrumah regime, through the years after its "Left Turn" (1961-66) when the public sector was given a central role in economic development, to the swing back to a faith in private capital during the NLC/Busia years (1966-72) which again swung back towards a compromise between the private and public sectors during the NRC/SMC regime (1972-79).

As the first independent country in sub-Saharan Africa, whose leadership was impatient to "modernise", the early years of Ghana's post-colonial history fully partook of the contemporary optimism about the use of law an instrument for development and modernisation. In Ghana, more than in most newly independent countries there was not an area of social life, from the family to the market, from the criminal justice system to urban administration that was not seen as susceptible to being transformed by and through law (Adelman and Paliwala, 1993, 11). It must be noted however that the interventionism of the post-colonial state was in part a continuation of the practices of the colonial state, part of the legacy of colonialism.

State intervention to meet demand for food and agro-industrial products has taken five main forms:

- a) expanding direct state involvement in agricultural production, largely of agro-industrial crops.

- b) attempts to transform peasant agriculture through a variety of methods, but mainly by seeking to introduce new technologies;
- c) encouraging the development of large-scale farms by both local and foreign capital;
- d) interventions in the markets for agricultural inputs and produce, linked to efforts to regulate the prices of and to ensure urban food supplies; and
- e) state creation of or encouragement for the creation of agro-industrial manufacturing enterprises by private capital either alone or in cooperation with the state.

Each of these broad strategies have produced a range of specific policies. These include the passage of laws to help overcome perceived problems in the path of these strategies:- enhanced powers of compulsory acquisition of land, investment incentives specifically directed at large scale agriculture, the production of specific crops or the setting up of particular manufacturing enterprises; the creation of parastatal organisations for marketing agricultural inputs and produce, and also to deliver extension services; the setting up of credit institutions; loan/project agreements with bilateral and multilateral institutions such as USAID and the World Bank; joint venture/management contracts between the state and TNCs and so on. The different post-colonial regimes, dominated by different elements of the petty-bourgeoisie, have emphasised different permutations of the five broad strategies indicated. The specific

policy shifts have been distinguished by shifts in the relationship between the state and private capital and also influenced by processes in the world economy.

During the 1960s there was a notable growth in direct foreign private investment in plants that undertook the last stage processing and assembling of imported components into goods for the domestic market of the ex-colonies, developing on a trend which had started under colonialism (Arrighi,1969; Seidman,1970; Szentes,1983; Green,1981). The types and origins, national and institutional, of foreign capital in the ex-colonies however underwent a change. Arrighi (1969,110) has correctly noted "decolonisation was among other things the result of a conflict between the dynamic elements (big companies) and the backward elements (marginal enterprises, small planters, small trading houses, small semi-artisanal workshops) of colonial capitalism". Generally, decolonisation caused a flight of small scale foreign capital. The TNC became the typical foreign firm operating in African economies; local enterprises in mining and manufacturing usually becoming part of its international vertical integration.

The rise of the TNC was accompanied by rise in productive foreign direct investment (FDI) and a relative decline in the importance of rentier capital such as merchant capital. In many countries big foreign merchant capital moved into manufacturing. For example in Ghana, from the late 1950s, the Unilever subsidiary the United Africa Company (UAC) which had dominated the internal cocoa trade during the colonial period moved into manufacturing of either the simple processing of export raw materials or local manufacture of an import substituting type from the late 1950s.



The movement of foreign firms into import substituting manufacturing and simple processing of raw material exports is illustrative of how the types, sectoral distribution and end uses of foreign capital in post colonial Africa was not only the result of the pursuit of predetermined aims but also an adaptation to the development strategies of Africa's governments and economic constraints that emerged in the post-colonial era. Many African countries, following the dominant orthodoxy, saw import substituting industrialisation (ISI) as a key element in economic transformation and established policy regimes to facilitate it. New investment codes created incentive schemes to induce private capital, especially foreign, to invest in specified areas. These included free repatriation of profits and capital, complete or partial exemption from profits, customs and income taxes, accelerated depreciation concessions, tax stabilisation guarantees and against expropriation or full, prompt and adequate compensation in such an eventuality, etc. (Dixon-Fyle, 1967). In some countries import and exchange controls and protective tariff were additionally used to influence the composition of imports in a manner that discriminated against consumer goods and protect emergent ISI enterprises.

For firms with a presence long established through importing and distributing goods, the setting up of an ISI enterprise, essentially a last stage processing plant using imported inputs and vertically integrated into world wide production, served a number of purposes. A loss of established markets was avoided while the company pronounced itself in tune with national aspirations. International intra-firm trade and transfer pricing provides an invisible avenue for the export of capital which bypasses exchange regulations where they exist. "As opposed to the Latin American

experience, where initial import substitution manufacturing was largely domestic and was dominated by foreign firms only two or three decades later. African manufacturing grew up on a 'branch plant' basis" (Green,1981,341).

Another important change was the replacement of private portfolio investment as a source of funding for public infrastructural development by bilateral and multilateral loans and "aid". The Cold War influenced the levels and purposes of official capital flows. (Morgan,1980,Vol 3,89-91). Though the countries of the Soviet Bloc also provided some loans and grants Western countries and allied institutions were by far the principal sources of official capital inflows. Like the portfolio investment that it replaced these inflows went largely into the creation of public overhead capital: roads, power plants, ports and telecommunications facilities, which then served to enhance the conditions for profitable private investment (Mason & Asher,1973; Williams,1981; Ravenhill,1985).

From the late sixties international development finance institutions- the World Bank, the European Development Fund (EDF), USAID, ODA, etc.- began to pay more attention to areas outside infrastructural development in the Third World countries. More lending began to go to other areas of agriculture other than irrigation, industry, health and other social services and there emerged a concern with "rural development". By the mid seventies this new interest had become a full blown, but somewhat fuzzy ideology of a concern with "basic needs" and alleviating poverty with a proclaimed stress on agriculture and rural development (Mason & Asher,1973; Williams; Payer, 1982; World Bank,1975; ILO,1975; Ravenhill,1985).

A numbers of factors combined to produce some changes in the underlying ideology of the international development finance institutions. These included disappointment among Latin American and the newly independent Africa and Asian countries about the success of their efforts at national development. Alongside this were their increasing protests and efforts to unite in the face of deteriorating terms of trade, and growing structural imbalances and demand a more "just" international economic order. These calls became even more strident with the onset of the world crisis in the mid 1970s, becoming formalised in the demand for a New International Economic Order-NIEO (Murphy, 1984). The severe drought and famine which devastated the parts of the Indian subcontinent in the second half of the 1960s, the "green revolution", the self-reliance shown by the Vietnamese peasantry in the face of American high technology firepower, the experience of discovering the weakness of private capital and the extent of poverty (hence the weak bases of dependent regimes in Africa and other parts of the Third World) are also cited as factors that influenced the new interests of the lending institutions. In Africa the new willingness of these organisations to fund directly productive projects in Third World countries, was accompanied by a growth in State-foreign private joint ventures in agriculture and manufacturing even as the pattern of an overall preference for the extractive sectors continued (Kirkpatrick & Nixon, 1981).

Our case study projects: the World Bank-funded Ghana Sugar Estate Limited (GHASEL) project, and the Kwae Ghana Oil Palm Development Corporation (GOPDC), Benso Oil Palm Plantation (BOPP) and Twifo Oil Palm Plantation (TOPP) represent Ghanaian instances of the important form of internationalisation of



agriculture in the Third World which gained ground in the 1970s. TOPP, GOPDC and GHASEL typify the new form of internationalisation of agricultural capital that Glover (1990,5) has termed "multipartite arrangements". A multipartite arrangement is a form of contract farming which has two main features. Firstly production, usually of a single crop, is centred around a nucleus plantation and processing complex with satellite smallholder/outgrower contract farmers. The nature of the smallholder/outgrower's legal and organisational tie to the nucleus estate varies but is usually strongly subordinate and dependent. Secondly the funding, ownership and management of the nuclear enterprise normally involves various permutations of an alliance of the local state, IDFI's such as the World Bank and agribusiness TNCs.

BOPP and TOPP, the most significant instances of FDI in Ghanaian agriculture since independence, were initiated within the Special Agricultural Scheme (SAS) which was launched by the NRC in the 1974/75 Budget. SAS was a response to the country's balance of payments problems. As of the end of 1975 the Bank of Ghana was holding C133m (\$115.6m at the then prevailing rate of exchange) of income (profits and dividends) which foreign firms had been unable to take out because of exchange controls and the foreign exchange crisis. SAS offered a special priority profits repatriation regime to affected firms that, in partnership with indigenous capital, invested part of these in agriculture and agro-industry.

BOPP and TOPP however differ in important regards. Unlike TOPP the state is a direct shareholder in BOPP without the mediation of a public corporation as shareholder. Also no IDFI is involved in BOPP, much of the role they serve being



taken by the main foreign investor. The determining relationship in BOPP was between the Ghanaian state and Unilever<sup>5</sup>. The World Bank was the key partner in the cases of GHASEL and GOPDC and for TOPP it was the Commonwealth Development Corporation (CDC) and the European Development Fund (EDF). All the projects had management contracts with agribusiness TNCs. They also imported seedlings, seeds and related inputs from established agribusiness operations outside the country thereby becoming locked into the technological domination established by these firms.

Chapter 7 examines the cluster of legal, and political economic issues centred around the alliance of state, agribusiness and the international development finance institutions (IDFIs) represented in our case study projects. The issues relate to a) the negotiation of the contracts which defined the projects, what one might term *"the politics of gestation"*, and b) the relationship between IDFIs and agribusiness firms. The chapter argues that the establishment of the four projects must be seen as the product of a unity of internal and international factors. The internal factors being the persistent pressure of domestic demand, the shortage of capital and technology, including management skills and balance of payment pressures. The projects also reflected changes taking place in the internationalisation of capital and new relations between IDFIs and transnational capital.

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<sup>5</sup> For a profile of Unilever and its corporate network in Africa as of 1981, see Dinham and Hines (1981, 163-169).

Chapters 8, 9 and 10 return to the role of contract in the process of internationalisation of capital. In Chapter 8, on the basis of an analysis of the terms of the project and loan agreements for the projects it is argued that among the three allies in the projects, i.e the Ghanaian state, IDFI and TNCs, the Ghanaian state bore a disproportionate share of the financial and political risks relative to economic returns. The terms of these agreements and the treatment of the peasantry whose lands were expropriated to make way for the enterprises point to how the participation of the state served as a source of some legitimation for new forms of subsumption of agricultural production by international capital.

Chapter 9 examines the terms and operations of the contract farming arrangements that were attached to TOPP, GOPDC and GHASEL. These arrangements provide an interesting comparison with the relationship that obtained between the cocoa peasantry, capital and the state during the colonial period. The chapter argues that the formal contractual arrangement unlike that between cocoa peasant and capital more closely approximates the real terms of subsumption of the producer. If there was a tendency towards a greater intervention of capital in the production process of the cocoa peasant the contract farming arrangement provides a formal basis for that intervention. Here also we find that the forms of state intervention through by-laws, etc. that the cocoa peasantry experienced are now incorporated into the formal relationship between producer and capital. The analysis shows that despite the differences between the contract farmer and the cocoa peasant the same issues of struggle between capital and peasant are present. These are rooted in the fact that despite the near total

subsumption of the contract farmer the contractual relationship is still not one between wage labourer and capital.

Chapter 10 analyses the terms of the management contracts signed with TNCs for each of the projects. Like has been experienced in other context the management contracts served to undermine the formal ownership and control of the enterprises, in three of the four cases by the state. It is argued that not only did these contracts result in a transfer of control of the firms to transnational agribusiness and their integration into the corporate network of these firms, but also show that key objectives of the contracts, including training Ghanaians to take over management of the enterprises were not fulfilled.

Chapter 11 is the concluding chapter.

## CHAPTER TWO

### Colonial State and Agriculture

#### 2.1 The Colonial State

The establishment of the colonial state and the creation of the *general conditions* for the exploitation of the resources of the Gold Coast with the accompanying spread of commodity relations were very much intertwined in the early years of colonial rule. The institutionalisation of colonial rule combined processes of destruction and creation. The records of laws passed and measures initiated by the British in the first years of colonial rule in the Gold Coast are replete with laws authorising the political detention or deportation of chiefs for either resisting or being less than cooperative with the colonial power. Such harsh displays of British power were intended more to break and subordinate than eliminate chiefly power (Kimble,1963;Bening,1977; Plange,1984). Thus the establishment of colonial political authority entailed the incorporation of indigenous rulers.

In 1932 the system of government in the Gold Coast was officially described as "a mixture of direct and indirect rule with a steady bias to the latter" (Wight,1946,36).

Kay (1975,105) has argued that "indirect rule" was:

the clear political counterpart of capital as it existed in the underdeveloped world. For this form of political administration reproduced at the level of the state all the ambiguities that merchant capital created in the economic sphere. It established centralised political authority upholding private property and money, but rested its power, in part at least, on local groups whose own power originated in non-capitalist forms of society.



Phillips (1989,11) has described the colonial state in British West Africa as "in many ways a mere facsimile of a state. Colonial rule could be sustained only through a complex of shifting alliances with local rulers, and colonial officials were acutely aware of the limitations of their control." Thus the colonial state represented an alliance of the metropolitan bourgeoisie and subordinate indigenous rulers. In the Gold Coast, as in many other colonies, the subordinate collaboration of indigenous rulers enabled a small corp of colonial administrators to enforce the writ of the coloniser (Kay,1972,8-10). As important as their role as instruments of colonial coercion was the legitimacy they lent to colonialism; these functions of coercion and consent were sharply exemplified by forced labour legislation discussed below.

The breaking and subordination of the power of the local states to the emergent colonial state also disrupted existing social relations. The first laws passed by the new state, four months after the Colony was proclaimed, abolished domestic slavery<sup>1</sup>. There is much debate about the nature of domestic slavery in the Gold Coast and the broad economic consequences of abolition (Howard,1978,32;Dumett & Johnson,1988,106). There is no dispute however about the fact that abolition undermined the power and prestige of chiefs who had large corps of slaves for ceremonial and economic purposes. (Dumett and Johnson.1988,106-107). The spread of commodity relations was also facilitated by some other measures. Chiefs were encouraged to pass bye-laws against customs that were seen as impeding the production of potential export commodities. For example, the enforcement of fetishes

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<sup>1</sup> Slave Dealing Abolition Ordinance, No.1 and Emancipation of Slaves Ordinance, No.2 of 1874.

against the cracking of palm nuts for kernels was made punishable by a fine in Akwapim in 1902 and Prampram in 1904.

The policy of weakening and incorporating chiefs was dominant till roughly the eve of the First World War. From around that time the emergent state faced new challenges. The economic transformations that had occurred in the period, notably the establishment of peasant cocoa production as the central feature of the Gold Coast economy, and the complex of other socio-economic relations that were built on it engendered new social forces. These posed a threat to the colonial order.

The challenge had three main elements. On one side chiefly power, weakened by the process of establishing colonialism, was further threatened by new strata of indigenous property owners (merchants and farmers) with more economic power than many chiefs, and by petty bourgeois educated and professional strata who saw the chiefs as collaborators. On the other hand there was the conflict between British capital and indigenous capital. Then there was the challenge posed by the new working class in town and country, in the farms and in the mines. The character and role of the colonial state was defined by the interplay of these forces, especially the first two challenges as well as contradictions between sections of British capital. These relationships and conflicts are vividly reflected in the chapters that discuss the cocoa industry during the colonial period.

As in other colonies the most important fractions of British capital in the Colony had an institutionalised place under the colonial constitution. The political economy of

the Gold Coast was dominated by a coalition of representatives of different sectors of mainly British capital. Merchant, mining, shipping and financial interests were the most influential, with the merchants and miners dominant. In the home country close ties existed between these sections of the British bourgeoisie and the political establishment, especially Parliament and the Colonial Office which were subjected to intense lobbying as and when it was deemed necessary. In 1904 the London, Liverpool and Manchester Chambers of Commerce formed a Joint West Africa Committee (JWAC) as a common organ for dealing with the Colonial Office. There was also the facility of direct communication with the Governor of the Colony (Howard, 1978: ch 4&5). Though united as colonial exploiters of the Gold Coast important divergences in their interests, especially between merchant and mining capital had important consequences for the colony's development. (Kay, 1972, 21). Representatives of these groups had places in the Legislative Council (Kimble, 1963, 404-407). The numbers and breadth of this representation increased with various reforms of the colonial constitution.

The merchants had the oldest representation, in keeping with their history in the area, with places being given to mining and financial/shipping interests later. By the 1930s this representation had a settled pattern reflecting the power relations within the British business community:

The mercantile member is by custom a representative of the United Africa Company. Of the three nominated European unofficals, one is a representative of a firm other than U.A.C., usually John Holt; one is a shipping representative usually Elder Dempster; one is a banking representative from either Barclays or the Bank of British West Africa. The U.A.C. representative is normally their spokesman....The mercantile and mining members have been among the senior unofficals. (Wight, 1946, 75-76)



Though the Council had little power it was important as a sounding board for colonial government and a vehicle for co-opting some influential sections of the local population. The first African unofficial member of the Legislative Council was appointed in 1888 and the numbers increased in succeeding years with reforms of the constitution. (Wight,1946; Kimble,1963,Chp XI).

The first indirect rule legislation of the Gold Coast Colony was passed in 1878 but was never formally implemented before being repealed and replaced in 1883. According to Hailey (1951,201) the doctrine underlying the Native Jurisdiction Ordinance, 1883:

was dominated by the tradition which had treated the [local] States as independent authorities over whom control could only be secured by their individual agreement. Moreover the terms of the Order in Council of 1874 left some legitimate grounds for doubt as to the extent of jurisdiction it conferred on the government.

The law confirmed the innovation of the 1878 law under which, for the first time local "Kings" were called "Head Chiefs". The 1883 Ordinance, among other things, empowered the Governor to suspend those chiefs who abused their power<sup>2</sup>. In 1904 the Chiefs Ordinance gave the Governor power to suspend, depose or confirm a chief, but the 1883 Ordinance remained in force without substantial modification till it was replaced in 1927 with the Native Administration Ordinance (NAO). In Ashanti, a conquered territory, the dependent status of chiefs was unambiguously laid down in

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<sup>2</sup> Even before formal colonisation of the Colony a tussle in 1865-7 between the British and King Aggrey of Cape Coast, then the main site of British presence, over the King's attempts to assert his sovereignty had led to his deposition and deportation. Kimble (1963,193) correctly notes that the incident clearly showed "how in the last resort it was impossible for British jurisdiction to co-exist with the unfettered authority of chiefs".



legislation from the very beginning, unlike in the Colony<sup>3</sup>. Until the restoration of the Asante Confederacy Council in 1935 the kingdom was subjected to the direct rule of the Chief Commissioner and his officers. The Northern Territories had the most authoritarian experience of colonial rule. De jure the Northern Territories (NT) were "a Protectorate" but it took British troops to impose this "protection" in sizeable parts of the area<sup>4</sup>. Until the introduction of reforms in 1932, the NT was subjected to direct rule by a quasi-military administration. The colonial government created chiefs among people who did not have them before and in other cases vested them with powers which had no roots in local history or tradition, rendering such persons pliant instruments who had little standing with the local population (Plange, 1984; Benning, 1975).

After the First World War part of the colonial state's response to the challenge posed by new social forces involved some constitutional re-organisation of the state and a change in official policy towards chiefs. In the Colony a major reform of the composition of the Legislative council was effected in 1925 most notably providing for the membership of six head chiefs, two from each Province. A more limited reform had been carried out in 1916. From seeking to weaken chiefs, the official policy was now to strengthen them at least against their own people. The return of exiled Asante chiefs including the Asantehene in 1924 and the 1932 reforms in the NT

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<sup>3</sup> Section 25 of the Ashanti Administration Ordinance, 1902 provided that: "It shall not be lawful for any headchief to exercise any powers as a headchief until he shall have been recognised as such by the Governor".

<sup>4</sup> See the evidence of Captain C.H. Armitage, Chief Commissioner of the NT (questions 12,502-507) and Major R.A. Irvine, a Provincial Commissioner in the NT (questions 4,298; 4,351 and 4,395-98) to the West African Lands Committee (HMSO, 1916). Also Benning (1977).

were all part of the attempt to foster a closer alliance of indigenous rulers and the colonialist against the new social forces. The passage of the Native Administration Ordinance 1927 represented the most important shift in local administration policy.

The Ordinance has been described as "marking the high water-mark of the policy of indirect rule and the position of chiefs in the Gold Coast" (Allott,1960,107). It extended the Governor's powers over the election, deposition and exercise of powers by chiefs in the Colony. The powers of Provincial and District Commissioners over native tribunals was also enhanced. At the same time, in some respects, the Ordinance strengthened the position of chiefs. It set up Provincial Councils of Chiefs, recognised State Councils as judicial and executive bodies and created penalties for undermining the authority of chiefs (Hailey, 1951,194-208; Kimble,ch II;Metcalf,1964, passim; Phillips,1989,9-14; Wight,1946,chp II).

## **2.2. The Evolution of Colonial Agricultural Policy**

The eventual centrality of agriculture in the political economy of the Gold Coast was not reflected in the attitude of the emergent colonial state which turned its attention to the sector only in the second decade of colonialism. The Department of Agriculture was established in 1889. In the ensuing fifty years the agricultural policy of the colonial state had two main strands: a) developing the production of crops with proven or potential export value, and b) seeking to regulate the production and quality of these<sup>5</sup>. Throughout the period many crops native to or seen as suitable for cultivation

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<sup>5</sup> Among the bye-laws that chiefs were empowered to pass under the Native Jurisdiction Ordinance, 1883 were rules "for the proper cultivation, collection and curing of agricultural and economic products and the eradication of diseases affecting such products". See section 1 of Schedule to NJO,1883).

in various parts of the Gold Coast received some attention from the Department of Agriculture. The most important of these were cocoa, rubber, coffee, coconut, sisal, shea nuts, cotton and oil palm. These developments were centred in the Colony and Ashanti, with the Northern Territories serving as a labour reserve.

Pre-colonial Gold Coast was a "natural economy", composed of social formations of varying levels of development of productive forces and social relations (Wilks,1975,666;HMSO,1890). These ranged from near communalistic social formations in parts of the Northern Territories to the class-stratified Asante Empire, actively involved in international commerce, with extensive domestic slavery and proto-feudal features. "Natural economy" refers to social formations in which there is some production for barter or trade but most production is for immediate consumption (Bernstein,1979; Lenin,1956,6; Reynolds,1974); Kimble,1963); Kay,1972,6).

In the Gold Coast the process of destruction of natural economy, went through three stages: contacts with merchant capital, the triangular trade and direct colonialism (Claridge,1915). Colonial control created political conditions and structures for a more systematic and re-organisation of local production and its integration into the international capitalist economy (Hopkins,1973:124-127; Wallerstein, 1989:23). The Proclamation of the Colony listed the "protection and encouragement of trade and traders, including the construction maintenance and improvement of roads ... and other public works which benefit trade" among the reasons for imposition of British rule (Howard,1978,34).



### **2.2.1. Laying the Basis for "Economic Agriculture"**

The setting up of the *Commission on Economic Agriculture in the Gold Coast* in 1887 constituted the first effort of the new colonial power at an analysis of the prospects for a systematic development of agriculture in the colony. The Commission presented its main Report in 1889<sup>6</sup>, which is striking in its unambiguous equation of "economic agriculture" with export commodity production. Against the background of the frenzied gold rush and speculation which had gripped the colony, it took the prophetic view that the "future of the colony lay not in its gold bearing rocks but in its fertile soil". It listed the principal plants and crops of the colony, especially those that could provide raw material for capitalist industry: oil palm, coffee, rubber, coconut, cotton, silk cotton, sugar cane, cocoa, etc.

The Commission identified what it considered the main impediments to "economic agriculture" which the state should remedy. These were:

a) poor transport infrastructure; b) "ignorance" of the "natives" about the "economic value" (i.e exchange value) of many plants and crops; and c) the fabled and much lamented "laziness of the natives" (HMSO, 1890, 31-33). Though the Report described land relations in the Colony as "peculiar" it did not discuss the economic implications in any detail. It was more exercised by the quality of agricultural exports, especially palm oil and rubber. It however acknowledged the difficulty of policing quality standards and took the line that the matter was best left to the mercy of market forces.

The Report also noted the presence and effects of usurer's capital on sections of the

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<sup>6</sup> HMSO, (1890) *Report on Economic Agriculture of the Gold Coast*. C.5897.



peasantry, remarking, "In the Gold Coast as in all poor agricultural communities the money lender is the tyrant of his neighbourhood".

### **2.2.2. Forced Labour and Road Construction**

The Commission's concern about the poor state of roads merely emphasised one of the main concerns of the government at the time. Like in so many colonies road building was the impulse for the introduction of forced labour. The coercion was entwined with the creation of the colonial chief and a new "customary law" (Fitzpatrick,1980,77; Snyder,1981,120-124; Shivji,1986,8). In 1883 the Public Labour Ordinance, the first of a series of forced labour laws was passed. All able bodied men between 16-60 years old who had lived in the Gold Coast for at least 6 months were liable to public labour for 3 days a year on ordinary public roads designated by the Governor in Council; those covered could pay 1s 6d in lieu of actual labour. The administration of the scheme was placed in the hands of the chiefs and district commissioners.

The Roads Ordinance of 1894 increased the exaction. It gave the governor power to proclaim that certain roads shall be maintained by chiefs. The chief was empowered to call upon all able bodied men within their jurisdiction to work on such days as he thought necessary without exceeding 6 days in a quarter. Any person who refused to work was liable "under native customary law" or before the District Commissioner (D.C) to a maximum fine of £1 or one month's imprisonment in default. The chief received 10s per mile of road from the colonial state. However where he failed to ensure that work is undertaken within the periods specified by the law he was liable

to a maximum fine of £50. The D.C at his discretion may recover the fine by selling stool lands or the chief's movable or immovable property.

The provision for the disobedient to be punished "under native customary law", as the scope of forced labour expanded, represented an attempt to claim a spurious indigenous legitimacy for the exactions. An even more explicit claim of being derived from "customary law" was made for the extremely unpopular Compulsory Labour Ordinance of 1895, which provided for the making of unpredictable demands on chiefs to call out their subjects to act as carriers for the government were preceded by the following preamble-

Whereas by native custom it is obligatory on persons of the labouring class to give labour for public purposes on being called upon their chiefs or other native superiors.

Under the Ordinance, any member of the "labouring class" who failed to respond "without lawful excuse" to a call for unpaid work was liable to punishment "under native customary law", or before the D.C. by a fine not exceeding £10 or imprisonment not exceeding 3 months with or without hard labour. Chiefs and their elders who did not carry out their duties under the Ordinance were liable on conviction before the D.C's court to a fine not exceeding £250 or six months imprisonment with or without hard labour.

By the end of 1920 there were 1,500 miles of motorable roads constructed with forced labour compared with 812 miles constructed by the Public Works Department. In 1928 the length of designated roads in the Colony alone was just under 2,300 miles.

The immense contribution roads built with forced labour made to the opening up of

the country and the penetration of foreign merchant capital was publicly acknowledged in 1921 by Governor Sir Gordon Guggisberg. He told the Legislative Council that no praise could be too much for the political officers, the Chiefs and people of the Colony, Ashanti and the Northern Territories "for their road making during 1920":

Indifferent as many of the roads are, they serve the purpose for which they were built, and it would have been a sheer impossibility for the Public Works Department to have produced anything approaching the present amount of mileage even had the staff and funds been sufficient<sup>7</sup>.

This material achievement carried a high political price. The extreme unpopularity of forced labour was intensified by the stiff fines and possible imprisonment that ordinary people faced. The true burden of the fines can only be appreciated by remembering that money was in very short supply in those early days of generalised commodity production. This unpopularity and the accompanying creation of a punitive "customary law" contributed to the erosion of the authority of chiefs throughout the colony. The chiefs did not like it either since they also risked punishment and humiliation if they failed to meet the demands of the various forced labour laws. One chief of Cape Coast was imprisoned, prison clothes, shaved head and all, for failing to provide labour under Compulsory Labour Ordinance (Kimble, 1963, 466).

### **2.2.3. Estate Plantation or Small-holder Production?**

The Commission on Economic Agriculture made no explicit choice between plantation and peasant production<sup>8</sup>. Its Report implied a co-existence of the two. On one hand

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<sup>7</sup> Quoted in Kay (1972), 57.

<sup>8</sup> Reynolds (1974, 63-69) discusses the abortive attempts to establish plantations in the Gold Coast after the abolition of the Atlantic Slave Trade.



it talked about training youth to manage plantations for European owners. with local people learning to work for wages "under proper superintendence". On the other hand it argued that "contact with the European merchant and the discovery that pure clean [palm oil] pays better than bad and dirty oil will effect a revolution in oil making" and that coconut cultivation "should recommend itself to the natives ... as the capital required is small, and the labour of cultivating the trees and collecting the nuts need not interfere with the cultivation of his food crops".

It proposed measures such as the education of the "natives" about the economic value of crops and how to cultivate new ones the government might introduce<sup>9</sup>. This effort was to be backed by the setting up of experimental agricultural stations, staffed by trained botanists, for research, training of local personnel and seed distribution. Governor Sir Brandford Griffith considered the Aburi Botanical Gardens, opened in 1888, as a model for the proposed research, crop diffusion and personnel training centre. Aburi was to serve as the main station of the Department of Agriculture for most of the colonial period<sup>10</sup>.

Various views have been expressed about the factors that established the dominance of peasant agriculture in the Gold Coast. Rhoda Howard (1978,37) argues that the

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<sup>9</sup> The Commission did not seem to have been aware of the revolutionary spread of peasant cocoa production that was under way when it carried out its study. This can be taken as a loud statement of the weakness of the colonial state at the time. The crop is mentioned as "another product worthy of every attention and that "attempts on a small scale have been made to introduce it into the country, but no information is obtainable about the results"(p29). It saw coffee as "undoubtedly the first crop to which intending cultivators should turn their attention".

<sup>10</sup> Letter to Lord Knutsford, Secretary for Colonies, July 10, 1890 in Further Report on Economic Agriculture Cmd 6270 (HMSO,1891).



critical factor for the dominance of peasant agriculture under colonialism was the inability of the colonial government to pass two land bills in 1894 and 1897. The bills are discussed in the next chapter. Hopkins (1973,209-216) however argues that state policy on the "plantation versus peasant" issue in British West Africa was far from settled by 1900. He dismisses claims that an unhealthy climate and British commitment to "trusteeship" over African land rights prevented the development of plantations. His general hypothesis is that expatriate plantations were more likely in those parts of the tropics where opposition from merchant capital was weak or absent and peasant production was slow to respond to external demand.

Hopkins contends that five factors impeded the progress of the "planters frontier" throughout colonial West Africa. These were: 1) the opposition of established merchant capital; 2) a lack of knowledge about tropical conditions among many potential European planters, aggravated in many cases by; 3) lack of capital to sustain initiatives; 4) the impact of shifts in world supply on specialist plantations; and 5) the fact that by the time controversy over land concessions for plantations was at its height (during the second decade of the 20th century) "peasant production had proved itself". For Phillips (1989,13) the lack of a settled policy as noted by Hopkins was an aspect of the general "makeshift" nature of British colonial policy in West Africa. This she attributes to the inability of colonialism to implement its original design of facilitating direct foreign investment in all sectors due to the weakness of the colonial state. Central to the collapse of this project which included plantation agriculture, was the state's inability to create free labour.

Philips and Howard are agreed on the shortage of free labour as a factor in the marginalisation of plantation culture in British West Africa. It must be noted that Howard's arguments not entirely correct. Access to land was obviously a necessary requirement for the emergence of colonial settler agriculture and the passage of the 1894 and 1897 land bills would have had significant consequences. The withdrawal of the Land Bills did not create legal impediment to settlers acquiring land for plantations. In fact throughout the colonial period there were continued efforts at setting up plantations especially for cocoa, oil palm and rubber, not all of which failed<sup>11</sup>. The survival of indigenous land rights meant that the local people needed especial economic incentives to provide wage labour or had to be coerced. Throughout the colonial period capitalist enterprises in the Gold Coast faced labour scarcity and high wages. The mining industry for example had a tremendous problem with labour supply until the forced recruitment of labour from the NT with the complicity of the colonial state eased the situation (Thomas,1973; Plange,1979,1984).

The influence of mining capital was a further factor peculiar to the Gold Coast which militated against the development of plantations. In the early colonial period the State devoted a lot of energy to securing conditions for the profitable operation of mining capital such as such as cheap labour and adequate transport infrastructure (Kay,1972,passim; Gould,1960) The spread of cocoa had to struggle against the lack of transport, e.g. at the turn of the century when the peasant producer in Kwahu received 5 shillings per load, it cost 10 shillings to transport the produce to the port.

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<sup>11</sup> See evidence of A.C. Goff (a British national who had cocoa and rubber plantations in Ashanti and the Western Province) to the West Africa Land Committee (1916,399-404).

In this situation an embryonic agricultural settler community would have been in a singularly weak position in the competition for state support<sup>12</sup>.

A discussion by Graham and Floering (1984,14-19,33-47) about the relationship between the characteristics of crops and their suitability for cultivation under the "modern" plantation culture, which has evolved since the last decade of the nineteenth century, offers an interesting new angle for understanding the emergence of the Gold Coast as colony of peasant cultivation of cocoa. They argue that the modern plantation unlike the old plantation of the Americas and Caribbean is little different from a factory with workers "formally organised groups of workers along normal 'industrial production' lines, whose job all year round is in the same place and within the same institution" (p.24). The ideal crops for this type of factory production, which was emerging just about when cocoa was spreading in the Gold Coast are those which involve all year round work with a division of labour just like on a factory production line. The ideal type crops for this are oil palm, coconut and rubber which can be harvested all year round, with sugar cane and cocoa both of which have definite annual ripening peaks at the other end of the scale. Tea with definite seasonal ripening peaks occupies something of a middle position.

The difference between oil palm and cocoa means that comparatively an oil palm plantation would have a lower unit cost of labour since it will be engaged on tasks all year round. By contrast cocoa cultivation involves periods of considerably reduced

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<sup>12</sup> The relative failure of a scheme by the powerful Lever Brothers to set up oil palm processing facilities (discussed below) sharply illustrates how weak the position of a typical small capital European settler would have been in the Gold Coast.

need for labour making a permanent workforce relatively more expensive. In the context of the Gold Coast of the turn of the century without an army of landless labour this meant that an oil palm plantation had to offer very attractive terms to attract labour or use some form of coercion to ensure a labour force that stabilises while a cocoa plantation based on wage labour faces a near certain losing battle against peasant producers who deployed their labour on other tasks during the times they did not have to attend to their cocoa.



### 2.3. The Promotion of Export Crops

In European countries and America, one of the aims of an Agricultural Department is to experiment, to educate and to advise farmers, thus assisting them to produce large and good crops which for the most part are grown for home consumption. The aims of a tropical Agricultural Department are similar with this difference, that to be economically successful those crops which produce articles for export receive most attention"<sup>13</sup>.

An official review of the first forty years of the Department of Agriculture divided four policy phases in its work, covering: 1889-1905, 1905-1915, 1915-22 and 1922 onwards (Gold Coast, 1928). According to the review during the infancy of the Department, set up in 1889, policy was "limited to the importation of plants and the study of their behaviour under local conditions". In the second period instructional and demonstrational work was added, the structure of the staff of the Department of Agriculture changed, and agricultural stations and sub-stations were opened. In the third phase (1915-22) there were marked changes in organisation and function: instructional work was organised on a provincial basis and specialist staff recruited. From 1922 the colonial government moved from "a limited policy of protecting existing industry" to a "full acceptance of responsibility for a policy of development of local agricultural resources". The Department of Agriculture was to become the recognised machine by which a "policy of progressive development" was to be "formulated and put in place".

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<sup>13</sup> W.S.D Tudhope, Gold Coast Director of Agriculture (1907-24) quoted in La Anyane (1963, 73-74) who correctly describes Tudhope, who headed the Department of Agriculture during 17 critical years, as "the man whose name became important in the reshaping of the agricultural structure Ghana".

Considering the importance of agriculture to the economy of the colony, the state's attention to agricultural development was woefully inadequate. For example in 1923 that the sector only belatedly added to Guggisberg's Ten year Development Plan of 1920 and accounted for a little more than one per cent of expenditure under the Plan. Successive official and semi-official surveys criticised the limited work and poor relation status of the Agriculture Department (Kay,1972,passim). Some four decades after Tudhope boldly pronounced his colonial vision, the policies it engendered found their nemesis in the 1948 riots against shortages and high prices of goods in the Gold Coast. Sitting amidst the consequent political wreckage of the event, the Watson Commission (1948,para 323) received many complaints about the colonial state's "excessive attention to the problems of export crops in comparison with crops for home consumption".

Cocoa was the overwhelming focus of the work of Department of Agriculture. As discussed below from when the crop established its pre-eminence in the first decade of this century the Department devoted a considerable part of its limited resources to schemes for "improving" the cultivation, quality and marketing of the crop. Sporadic efforts were made to promote other export crops so as to diversify the sources of state revenue away from cocoa and fulfil the raw material needs of sections of British industry. Among the "secondary" export crops oil palm received the most sustained attention. There was also a notable effort to develop export cotton production but the efforts to develop cotton, as part of an Empire-wide effort, instigated by the British

Cotton Growers Association (BCGA), did not come to much (Dickson; Nworah, 1971; La Anyane, 1963, ch 6; Phillips, 1989, 71)<sup>14</sup>.

The attention given to oil palm was due to three main factors: the natural profusion of the crop in the colony, its significance in the history of raw material export and the enduring interest of British capital in its fortunes. The Committee on Economic Agriculture had decried the under-exploitation of the colony's oil palm resources, despite the fact that its products (oil and kernels) were the most important exports (HMSO, 1890, 34). Palm oil and kernels were the export commodities most directly replaced by cocoa. This process included oil palms being destroyed to make way for cocoa, something the colonial government made a doomed attempt, down the years, to stop. As early as 1892 the Konor of Manya Krobo, Nene Azu Mate Kole I passed a bye-law criminalising the damaging or destruction of oil palms. In the following years many other chiefs passed similar laws as palm trees were uprooted or neglected in favour of cocoa.

The palm products that cocoa displaced were however of poor quality for the purposes of European industry due to the technology and methods of preparation and also adulteration. The Committee on Economic Agriculture discounted a state organised system of inspection and grading palm oil according to quality on grounds of cost and difficulty of enforcement (HMSO, 1890, 17). It however took a different line on the adulteration of palm kernels. Merchants bought palm kernels by weight and complained that sellers fraudulently increased the weight, hence value, of the kernels

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<sup>14</sup>See Africa (West) No 745, CO 879/84



by soaking them in water. In 1898 the Palm Kernels Adulteration Ordinance (No.13. 1898) made adulteration of palm kernels a criminal offence. The absence of independent records on the application of the law make it difficult to assess its impact or the extent of enforcement. La Anyane (1963,31) implies that it was not of much effect with "only four prosecutions at Prampram and some elsewhere in the country in 1898".

### **2.3.1. Lever's Abortive Oil Palm Scheme**

Even before the passage of the law against adulteration of kernels, the dominant view within official circles was that only the introduction of modern processing machinery and methods could save and turn out oil of industrial quality. In July 1913 the Legislative Council passed an "Ordinance to make provision as to the grant of exclusive rights for the extraction of oil from palm fruit". The law empowered the Governor to grant, for a period of not more than 21 years, "the exclusive right to construct and work mills to be operated by electrical power for expressing or extracting oil from the pericarp of palm fruits", in respect of an area not exceeding a circle with a ten mile radius to any person who has properly acquired a grant under customary land law. A grant was renewable but did not confer any rights or interest over the land or the products of the soil. It was solely for the exclusive right to extract palm oil using "mechanical power" which the law defined as "machinery worked by steam, electricity, water power, internal combustion engines, *and does not mean machinery worked by hand*" (emphasis added). An affected area could include settlements with population of not more than 10,000 persons. (In the entire colony in 1921 only Accra, Kumasi and Cape Coast had populations of more than 10,000.) The



government could seek a declaration for the forfeiture of a grant if it is not satisfactorily utilised within two years of being made.

The Palm Oil Ordinance (No 13 of 1913) is a good example of abstract "equality before the law" disguising the material bases and objective effects of a legal norm. The Gold Coast law was a local version of an ordinance drafted by the Colonial Office in 1912 for Sierra Leone, Nigeria and the Gold Coast. It was the product of protracted negotiations with Lever Brothers (forerunner of Unilever). Anxious to ensure reliable supplies of palm and kernel oil for his fast expanding industrial empire Sir W.H.Lever pressured the British government to give his company a privileged regime for palm fruit processing factories in Sierra Leone, Nigeria and the Gold Coast. The expectation was that peasants would be attracted by the prices offered to sell fresh palm fruit to the factories instead of processing it themselves.

Lever's first proposal envisaged the setting up of a processing plants and the acquisition of land for the establishment of oil palm plantations. He sought exemption from payment of any rent in respect of land and a waiver of all duties on material and machinery brought in for the project. The processing mills were to have a monopoly over land within a 20 mile radius for a 99 year period. The exclusion of all others, with the exception of the government, from constructing railways within the grant area was also sought. Lever Brothers made it clear that without the general recognition, assistance and encouragement of the government, they could not "entertain the venture at all" and "without protection against possible competition in the matter of the area" it was not "sound business to embark upon so extensive an undertaking, necessitating

great outlay of capital in an undeveloped country". (HMSO,1915). The Palm Oil Ordinance reflected compromises reached between the Colonial Office and Lever to take account of expressed and feared opposition to the scheme but not all the opposition was mollified by its provisions.

There were four main strands of opposition which all derived from the de facto monopoly being granted to Lever (HMSO,1915,1916a,1916b; Nworah, 1972; Phillips,1989,91-93; Howard,1978,76-78; Kimble,1963,46-47). In the British Parliament the Liberal government was accused by the Tory opposition of giving in to the Lever scheme because of his influence in the Liberal Party<sup>15</sup>. The scheme was opposed by other British industrialists who feared their supplies of raw material would be interfered with by Lever's project. Palm kernel crushers in Britain were particularly worried. The success of Lever's processing mills would affect the export of kernels which was a by-product of indigenous palm oil production. British merchants involved in the West Africa trade denounced the threat to free trade and native enterprise but they were basically responding to the potential loss of revenue from the long established export of palm oil and kernels from West Africa. Representatives of indigenous opinion more honestly articulated the threat Lever's scheme posed to a long established local industry. In the Legislative Council British merchant and indigenous opposition united against the passage of the Palm Oil Ordinance; even some members of government were uncomfortable about it. The official majority however ensured its passage (Metcalf,1964,540-544).

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<sup>15</sup> Sir William Lever was an influential member of the Liberal Party and at the time he contacted the Colonial Office over his project he was the Liberal member of Parliament for the Wirral Division of Cheshire.

According to Dickson (1969,149) a number of expatriate owned oil palm estates were set up following the passage of the Ordinance<sup>16</sup>. In 1912 West African Oil Mills Ltd (a Lever subsidiary) set up a mill at Sese in the Western Province. The scheme however failed to revive the oil palm industry in the Gold Coast. The expectation that peasants would keep the mills adequately supplied with fresh fruit turned out to be over optimistic. The Sese mill operated well below installed capacity it was only in 1928 that it showed a profit. Even this was due to it being kept going by a combination of fruit bought from peasants and *what was harvested by wage labour* from the exclusive milling zone.

A number of related reasons explain the problems faced by the processing scheme and the poor response of the peasantry. Phillips (1989,93) argues that the scheme stumbled at the obstacle of the traditional sexual division of labour in the palm oil industry and the resultant distribution of income. Men gathered the fruit, while women made the oil and also cracked the nut for kernels. It has also been argued that the prices offered for the fresh fruit were too low to induce a shift from other economic activities. Certainly the alternative represented by cocoa proved overwhelming in areas where the crop had taken hold. This is illustrated by the fate of subsequent schemes which were basically variations on the concept of a core mill dependent on supplies from free producers, including one which involved the thinly disguised use of chiefs to compel peasants to deliver fruit to a mill set up by a Unilever subsidiary, the United Africa Company (UAC), and subsidised by the state.

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<sup>16</sup> Kimble (1963,46) mistakenly claims that Lever did not take advantage of the Gold Coast law. Howard (1978,78) also implies the same with her claim that due to the strength of local opposition the law remained dormant and was first implemented in 1930.



In 1930 UAC initiated an ultimately doomed project at Bukunor in the cocoa producing Krobo district of the Eastern Province. The setting up of the 3,000 ton mill was part of renewed British efforts after the First World War to boost West African production to meet competition from new Dutch oil palm plantations in the Dutch East Indies. In 1925 a Colonial Office Committee on which the Joint West African Committee was substantially represented made proposals for a new attempt to establish industrial processing of palm fruit in West Africa. Perhaps in the light of the experience of Lever Brothers, its report recognised that dependence on supplies from free peasants was unviable. Interestingly its recommendations included some of the key monopolistic elements of Lever's scheme which elements the JWAC had bitterly opposed. It also recommended the establishment of plantations and the institution of legally binding contracts with peasants for the supply of fruit.

The government undertook to subsidise the Bukunor mill if the fruit delivered to it fell below 5/6th of its capacity. To ensure deliveries the government offered bonus payments to the Krobo chiefs in respect of what they could get their people to supply to the factory. The scheme failed. Oil palm plantations and mills fared better in the Western Province, an area to which cocoa did not spread till the 1930s, fared better. It possible though that Lever's Sese mill might have closed down but for state involvement in labour recruitment (La Anyane:112-124)<sup>17</sup>.

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<sup>17</sup> The failure of Lever's scheme in British West Africa stands in sharp contrast to the firm's success in the Belgian Congo. The important difference between the two being the willingness of the Congolese colonial state to facilitate forced labour deliveries to Lever's mills by Africans (Fieldhouse, 1978, ch 9).



### **2.2.2. The Spread of Cocoa**

The clear cut role of the colonial state in persistently supporting the efforts of international capital to develop the oil palm industry of the Gold Coast contrasts sharply with the controversy over who is spearheaded the spread of cocoa cultivation. The question of who is responsible for the commercial diffusion of cocoa has been extensively debated. Cocoa had long been present in the Gold Coast before its commercial cultivation, having been introduced according to some sources by the Portuguese in the 18th century. In the critical last quarter of the 19th century various institutions and persons took an interest in the crop. These include the Basel Missionaries, who as part of their "civilising" activities encouraged their converts to engage in export agriculture and experimented with cocoa. Nationalist history ascribes a large role to one man, Tete Quarshie, who started a farm in the 1870s upon his return from Sao Tome (then the leading African producer). Tete Quarshie's cultivation of cocoa is now accepted as a historical fact. Colonial officials have sought to credit the colonial state with spread of cocoa<sup>18</sup>.

The available evidence points to a combination of the three influences on the beginnings of the cocoa story but their historical contributions did not take place in a vacuum (Hill, 1963, 170-176; Nowell, 1938, 46; Howard, 1978, 73; Green & Hymer, 1966, 301-302). The explanation of the phenomenal spread of cocoa has to be sought in the local and international, historical and material context, within which these

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<sup>18</sup> See for example letter from Governor Nathan to Chamberlain, April 8, 1902, in *Colonial Report, 1903*; CO 879/69.

alleged innovators - Tetteh Quarshie, Basel Missionaries and agencies and officials of the colonial state operated.

The spectacular development of the Gold Coast cocoa industry was bound up with the emergence of chocolate and related products as items of mass consumption in the advanced capitalist countries. From when it was introduced from its native home in Central America to Europe in the early part of the 16th century by the Spanish, the consumption of cocoa products remained a luxury until the last half of the 19th century. Chocolate was manufactured by hand until the first manufacturing machines appeared in the first quarter of the 19th century. It was only at the turn of this century that the now widely popular milk chocolate, first produced on a commercial scale in Switzerland in 1876, began to emerge as an item of mass consumption. This transformation of cocoa products from luxuries into mass commodities had a dynamic relationship with the emergence of large volumes of cheap peasant produced cocoa mainly from West Africa particularly the Gold Coast (Wickizer, 1951, 306). According to Gunnarson (1976, 22) it is arguable that

"it was the cheap cocoa from the Gold Coast that laid the foundation of the rapid increase of consumption of chocolate products during the first decades of the 20th century".

Within the Gold Coast the spread of cocoa cultivation was aided by the prior penetration of capital and the integration of aspects of the material reproduction of the future pioneer cocoa farmers into the circuit of capital. The pioneer site of cocoa production where Tete Quarshie established his farm, where the Basel Missionaries concentrated their activities and was also the locus of the first government agricultural

station and the area of the State's campaigns was the most important source of the palm products exported from the Gold Coast in the 19th Century. The Krobo district and the Akwapim area in the south east were the pioneer site of systematic commercial cocoa production in the Gold Coast. By the mid 19th century the areas were exporting large quantities of palm oil and buying increasing volumes of imported commodities (Reynolds,1974,39-46,69-72; Hill,1963,15). In Ashanti and Brong Ahafo, to which areas cocoa cultivation spread later capital had been accumulated during the turn of century boom in the export of rubber collected from the forest (Dummett,1971; Arhin,1972).

Cocoa production was thus a development out of or a continuation of a pre-existing pattern. It was initiated by people who before moving into cocoa production had developed relatively extensive exchange relations with capital who turned to cocoa when the international fortunes of palm oil and sources of rubber declined. From the mid 1880s, the international price of palm oil went into steady decline, making production increasingly unremunerative (Reynolds,1974,146;Hill,1963,167). Prices reached their lowest quinquennial level in 1886 - 1890 - a period generally agreed to be important in the development of the cocoa industry. The producers of palm oil began to seek out more profitable crops (Hill,1963,174). Coffee had a brief spell of attention with the encouragement of the Colonial State before cocoa took hold. Polly Hill's work (1963) indicates that money accumulated from the palm oil trade was important in the land purchases which were important in the early phase of cocoa cultivation. Persons who had accumulated capital from earlier export agriculture were leaders of the land buying groups, usually acquiring the largest portion of land bought



by these groups. The falling prices resulted in what has been termed as the simple reproduction "squeeze" on palm oil producers. Bernstein (1979:427) defines "simple reproduction 'squeeze" as "those effects of commodity relations on the economy of peasant households that can be summarised in terms of increasing costs of production/decreasing returns to labour". It was this rather than the specific effects of State campaigns that determined the producers "response to economic opportunities" and would seem to have been ultimately most important reason why cocoa spread so rapidly.

The predominance of a peasant produced crop in the political economy of the Gold coast had important overall effects on the role of the Gold Coast as a source of accumulation by British capital. For local agriculture the rise of cocoa settled the essential nature of the agricultural sector. Henceforth the character (i.e peasant production) and centrality of the cocoa industry in the political economy of the colony constituted both a framework and a backdrop, largely negative, for efforts to sustain or develop the production of other crops. From the perspective of industrial capital "independent" peasant production of a raw material generated anxiety about cultivation methods, quality of product, credit/usury not very different from what had been identified in the old oil palm industry. These issues which were central to the relationship between the consumer of cocoa, i.e industrial capital, merchant capital which by and large mediated the relationship between producer and industrial user and the colonial state as the ultimate regulator of social relations in the colony are discussed in Chapters Four and Five.



## CHAPTER THREE

### Transformation of Land Relations

Obscurity in regard to the real nature of the rights of Native Chiefs, land holders and cultivators leads to all kinds of mischief...the greatest uncertainty exists, the result being endless litigation. Englishmen who reason about land tenures as if English theories and practices regarding freehold, leasehold, mortgage and conveyances, and the disposal of real property by will were common to all the world do not enter readily into Native ideas about occupancy founded on tribal rights (Governor Sir W. Maxwell, 1896).

The forms of landed property with which the incipient capitalist mode of production is confronted does not suit it. It first creates for itself the form required by subordinating agriculture to capital. *It thus transforms feudal landed property, clan property, small peasant property... no matter how divergent their juristic forms may be into the economic form corresponding to the requirements of this mode of production... it divorces landed property from the relations of dominion and servitude* (emphasis added) (Marx, 1959, 617).

At its first meeting in September 1887 the Commission on Economic Agriculture in the Gold Coast cited the nature of property rights in land - the apparent impossibility of a person acquiring indefeasible individual property in land and the patterns of land use, e.g involving shifting cultivation, etc. as some of the factors impeding the extension of commodity agriculture in the Gold Coast. It however took another eight years before the colonial state made its first attempt to systematically ascertain the precise nature of local property rights and

interests in land<sup>1</sup>. In 1895, as part of preparatory work for the Public Lands Bill, Governor Maxwell asked District Commissioners (DCs) around the colony to submit memoranda on land tenure in their respective areas (HMSO,1895).

In the decade and a half preceding the DCs' surveys the nature of indigenous property relations in land had become an important political and legal issue in the Gold Coast. This was mainly due to two factors. The most immediate spur was an upsurge of foreign interest in the country's gold industry, and the frenzied concession hunting which it provoked, particularly in the area of the present day Western and Ashanti Regions (Illegbune,1974; Bentsi-Enchill,1986). Less visible at the time, but predating the 'concession scramble', was the process of migration and land acquisition for cash crop farming by Krobos and Akwapims in South Eastern Ghana. By the beginning of the 19th Century the Krobos were buying land in Akyem Abuakwa for their expanding palm oil plantations and this process was to continue for the rest of the century (Reynolds,1974,69). By that decade, the process of migration and land acquisition had become serious enough to provoke major contradictions, conflicts and questions about the nature of property rights in land and constitutional and jurisdictional rights within and between local States. The question of what rights and interests immigrant Akwapims had lay at the bottom of a jurisdictional dispute between the Akwapim state and the Akim Abuakwa during the first decade of this century.

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<sup>1</sup> Section 19 of the Supreme Court Ordinance, 1876 (No. 4) provided for the application of indigenous law and custom " in causes or matters relating... to the tenure and transfer of real... property".

### 3.1. Precapitalist Land Relations

To understand the difficulties that confronted the penetration of capital into Gold Coast agriculture and understand the dynamics of confrontation and transformation wrought by the spread of commodity relations we need to have some appreciation of land relations of pre-colonial Gold Coast. An attempt is made here to reconstruct these relations on the bases of historical, legal and anthropological sources, with a full consciousness of the pitfalls of this approach given the different problematics of the sources. The legal writing is rooted in a positivist jurisprudence, concerned with ahistorically expounding the law as it is. The anthropological works suffer the well-known limitations of the anthropologist's belief in the possibility of reconstructing the "pure" state and dynamics of precapitalist societies. The historical studies have the advantage of the contemporaneous eye witness accounts being used in cases and therefore provide a useful reference point for testing the legal and anthropological accounts.

In this exposition the nature of land relations in Asante will be treated as the clearest and most developed illustration for the whole of southern Ghana. By the beginning of the 19th Century the Asante Empire, incorporated with varying degrees of integration, all of Southern Ghana. The tributary relations of the components of the Empire with the centre would seem to have required some transformation of land relations within the sub states to a form approximating what prevailed in the Asante Kingdom proper. While some might dispute this particular interpretation, the fact remains that land relations throughout Southern Ghana and Asante are markedly similar. Those who reject an explanation based on Asante domination think that it is



due to cultural similarities and borrowing (Bentsi-Enchill,1964,36). Generally it may be said that in the areas which were under direct Asante dominion, the stool had a stronger role in land tenure - in all the Akan areas of Ghana - than in those which although dominated by Asante cannot be considered provinces and were not directly integrated into the Empire. The latter include the Anlo Ewe State and parts of Northern and Upper Regions. The position of the family is much more powerful in the latter areas.

According to (Rattray,1929,76) after the Battle of Feyiase (c. 1700) which may be said to mark the beginning of the Asante Kingdom,

a silent and unnoticed revolution took place with regard to land tenure... A kind of multiple proprietorship arose. The King became the superior owner of all land, i.e. soil, in the kingdom, but this claim coexisted with many grades of inferior ownership right down a descending scale until the inferior property of the family land-holder was reached.

In all the literature one finds a recognition of this in the distinction of three basic types of "customary law" interests: those of the Stool, Family and the individual cultivator. Most writers on precapitalist Ghanaian land relations however flatly characterise the basis of land relations as the communal ownership of the land (Sarbah,1968,66; Rattray,1929,347; Danquah,1928,260; Busia,1969,56). In 1917 Governor Sir Hugh Clifford dramatically proclaimed that:

The little States, which taken together compose the Gold Coast were and are democracies, in theory at any rate, fulfil Abraham Lincoln's conditions, being 'a government of the people, by the people and for the people'.

Bentsi Enchill (1964,34-44) whilst in general agreement with the principle embodied in the above quoted statements disagrees with the tendency to use the language of "English equity jurisprudence" urging that "language recognising that the title is vested



in the community as a whole, as a corporation which functions through a management committee that must act in concert would seem to accord better with the facts".

"Communal ownership" of land is found in all precapitalist modes of production, even in the early stages of capitalism, in so far as in all such societies which are based largely on agricultural production, land relations necessarily allow all members of the community access to land. Such ownership does not however determine the mode of production in agriculture (Potekhin,1963,50). It is only in the state of primitive communalism that all land is truly communally owned. In fact most of the cited writers, except for Rattray, have an erroneous classless conception of the societies they claim to describe.

Rattray (1929,340) astutely distinguished the "land" and from the "right to use" the land; the former belongs to the stool while the stool subject exercises the latter. The "right to use" land carried with it definite obligations. The expenditure of labour gave the family or individual and heirs the exclusive possession of the right to use over the specific plot, and the produce, provided

- (i) They or he did in fact continue to use the land. This is an important principle, because land use was predominantly one of shifting cultivation:

- (ii) They or (s)he rendered all the customary services and obligations demanded by his/her immediate superior (i.e. Stool, Odekuro, Family Head) as recognised by custom. For example, every Asante male was under a duty to render military service (Busia,1968,48).
- (iii) Neglect to observe any of these rules or obligations would have been met with ejection, possibly resulting in the ejected tenant becoming a slave (Rattray,1929,362). The nature of the precapitalist political economy would seem to render the need to evoke this ultimate sanction rare.

In this political economy there was a close correlation of land relations and the political/administrative structure. The household was the unit of production and at the lowest group level, control over land was exercised by the Head of the lineage (in Akan areas the matrilineage) aided by the lineage elders, heads of household (Sarbah,1968,61). The family head's powers of control touched only land effectively occupied by members of the lineage. Groups of these lineages and their land parcels constitute a village headed by an Odekuro who ruled and managed land with the assistance of a council composed of all lineage heads. The Odekuro was the local representative and functionary of the State and was ultimately responsible through a political hierarchy to the King. The Odekuro's control over land in his locality was subordinated to the powers of the subdivisional chief who in turn was responsible to the divisional ruler. All these were subject to the overriding powers of the King. The

structure of the state was brought to bear as channels of tribute exaction be it labour or product (Busia,1968,6; Wilks,1975,667).

The notion of an 'alien' qua 'alien' working land was generally unknown. A non-subject who sought land got it and thereby became a subject i.e. became placed in the same relationship which all subjects occupied vis-a-vis the Stool. The question whether the extraction of surplus labour and produce was an aspect of land relations or based on a subject's personal allegiance becomes largely irrelevant (Casely-Hayford,1903,55- 66; Bentsi-Enchill,1964,115-117; Asante,1975,6-7). Thus the issue of whether the obligations of the subject continue when he settled somewhere hardly arose. You were a subject of the State within which you live and farm. Here the State stood over the subjects simultaneously as landlord and sovereign. Agricultural use value production predominated and it would seem rent and taxes, in the form of labour and produce, largely coincided (Marx,1959,791). The extraction of surplus labour/produce was by extra-economic means.

Ideology played an important mystifying and obscuring and ultimately legitimating role in the process. Land was regarded as belonging to the ancestors, the unity of whom with the living and unborn was represented by the Stool. The chief as occupant of the Stool was therefore presented and seen as the link between the past, present and future generations, the living and the dead hence the custodian of all land of the community (Busia,1968,44; Asante,1975,3). Every exaction was presented as being



made for the ancestors (Rattray,1929.350-351)<sup>2</sup>. As regards products which required especial expenditure of labour, e.g. hunting elephants and/or were commodities of long distance external trade, like gold and kola nuts, clearly established proportions were appropriated by the Stool. The most important commodity in this respect being gold, a third of all gold dust produced by a subject was appropriated by the Stool while all gold nuggets belonged to the Stool.

In the conditions of predominantly use value production, relative abundance of land and spatial immobility, land was rarely bought or sold (Sarbah,1968,61). What transaction - sale, pledge took place were usually conducted among the highest levels of the ruling strata; some transactions involved populated villages (McCaskie,1980). There seems to have been the acceptance that land could be transferred to another community by chiefs in settlement of a "communal debt". Among the mass of subjects, human beings and valuable chattels were pawned although it would seem land with useful permanent trees on was also "pledgeable" - representing a rudimentary mortgage but the mortgagee had no right to foreclose (Ollennu,1962,81; Asante,1975,213-214). This was the system of land relations that the colonial state attempted to radically change with the abortive 1894 and 1897 land bills. Although they were not passed they are discussed here to provide an indication of the route of transformation of land relations envisaged by the colonial authorities.

### 3.2. The Abortive Land Bills

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<sup>2</sup> The far from unique character of this ideology is indicated by what Marx (1965,70) said about surplus extraction under "Oriental despotism" under which there appears to be "a legal absence of property". Here "Part of its [community's] surplus labour belongs to the higher community, which ultimately appears as a person. This surplus labour is rendered both as a tribute and as common labour for the glory of the unity, in part that of the despot, in part that of the imagined tribal entity of the god."



The two Land Bills, the Crown Lands Bill of 1894 and the Public Lands Bill of 1897, that might have effected radical changes in land relations in the Gold Coast if they had been passed were not primarily occasioned by the colonial state's concern to expand commodity agriculture. Among several factors the most important was a desire to secure conditions for British capital's take over of gold mining in the Gold Coast<sup>3</sup>. It is arguable that others such as a) the raising of revenue to cover the expenses of government, and b) a more thorough subordination and incorporation of the local states and their ruling groups within the framework of the colonial state, ranked higher than a concern with the development of export agriculture. Whilst both the Crown Lands Bill, 1894, and the Public Lands Bill, 1897 were primarily concerned with providing the conditions for the operation of mining capital, they embodied different emphases as to the extent and speed with which the above outlined objectives were to be achieved and the mechanisms for the transformations.

The general form and content of the Crown Lands Bill evinced a strong and narrow concern with securing some of the key conditions for the operation of the mining industry. The Bill proposed the appropriation of all 'waste' and 'forest' land together with all minerals in the Gold Coast in the name of the Queen for the use of the Government of the Colony. 'Wasteland' was defined as land of which "no beneficial user had been made for cultivation or inhabitation, or for collecting or storing water, or for any industrial purpose" in the thirty years before the coming into force of the proposed law. 'Forest land' meant 'land which for most part is covered with trees,

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<sup>3</sup> Governor/Secretary of State for Colonies, 25 June 1889, CO96/200.

which have not been planted or sown by man'. All future grants of any lands or minerals vested in the Queen were to be made by the Governor at his discretion.

Despite the sweeping effect of all lands becoming Crown land, the structure of control which was erected on this broad basis was very narrow and limited. Whilst vesting all land in the Crown the only grants that the Bill clearly sought to regulate were those of forest and mineral bearing land. On one hand the Bill aimed to prohibit grants of mineral bearing land by chiefs and family heads to all 'strangers' - African/indigenous and European. On the other hand, it potentially left the field wide open for chiefs and family heads to deal in agricultural land - notwithstanding the limitation of their powers of alienation in respect of 'waste' and 'forest' land. In quite a few cases a distinction among the various types of land will be impossible given that on land used for shifting cultivation, trees are usually not stumped and could speedily regenerate within the 30 year non user period which makes land waste land. The effect of a rigorous regime being erected in respect of 'forest' and mineral lands would be to oust chiefs and local petty bourgeois speculators from the 'concessions industry', depriving them of their most important source of revenue since the slave trade (Illegbune,1974;Bentsi-Enchill,1986,Chapter 2).

Although the Crown Lands Bill had attracted protests, especially from chiefs and the indigenous professional class (Kimble,1963,334-340; Howard,1978,40; Phillips,1989,61) it was the determination of Sir William Maxwell, who in April 1895 succeeded Sir William Brandford Griffith, Snr., to effect reforms far more fundamental than those contained in the Crown Lands Bill which resulted in the law

being shelved. Bentsi-Enchill (1986,92) argues that the coincidence of Maxwell's arrival in Accra with Joseph Chamberlain's assumption of the office of Secretary of State for the Colonies "resulted in a pervasive acceleration of schemes for more intensive control over local politics and economic production"<sup>4</sup>. When he proposed the withdrawal of the Crown Lands Bill's Governor Maxwell strongly criticised its recognition of 'unknown native law'.

The Public Lands Bill, 1897 introduced by Maxwell represented a more comprehensive attempt to create private property rights in land. Various related concerns were reflected in the Public Lands Bill. These were:

1. A far reaching creation of the conditions for the privatisation and individualisation of property in land;
2. A drastic subordination of what was left of the pre-capitalist States and their ruling classes and a consequent dissolution of the mode of production they were rooted in.
3. The control and disposition of land as a source of State revenue;
4. The favoured status of mining capital in this scheme of the privatisation of landed property.

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<sup>4</sup> Maxwell's views about colonial, especially administration and land, policy had been shaped by thirty years working in the colonial service in the Malay Peninsula from where he came to the Gold Coast. During his time there he was the expert on land policy.



The Bill proposed a hierarchy of rights - superior rights and inferior rights - the former comprising: a) Rights exercisable by the Governor under the Ordinance and b) The customary rights of a native chief in respect of land attached to his Stool, subject to the limitations contained in the law regarding the exercise of such rights. It sought to create five categories of 'inferior rights'. The most important of these being 'Land Certificate Rights' The Bill vested the power of administration of all 'public lands' in the Colonial State. 'Public Land' broadly meant all land excluding those permanently cultivated or inhabited or the subject of a concession at the time of the Bill becoming law. It was to be generally unlawful, subject to specific exceptions, for any chief or other native authority to create by any instrument in writing, or by any other method, any private right in public land without the prior written consent of the Governor. The Governor was empowered to authorise 'the occupation of public land for any purpose by such person(s) and on such terms and conditions for consideration and either in perpetuity or for a term of years absolute or conditional or defeasible in his absolute discretion'. This power was to be exercised by the issue of a Land Certificate.

Unless and until a Land Certificate expires by the passage of time or becomes forfeited for breach of conditions or other valid reason, it shall be good and valid as against all persons, including the Government of the Colony and all others claiming 'adversely thereto' and no action shall lie in any court in respect of any land being the subject thereof in favour of a person claiming by title paramount thereto. Immovable

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<sup>5</sup> "Public lands" here includes the bed of lagoons and rivers, another indication of the concern with the needs of the mining industry.



property derived from a Land Certificate was to devolve and be transmitted in accordance with the provisions of the Law of England to the exclusion of any native law or custom relating to land in the Colony.

In his memorandum preceding the transmission of a copy of the Bill to the Colonial Office, Governor Maxwell argued the advisability of making 'native tenure' more "secure" by declaring that every 'native' who obtains a Government Certificate shall hold his land free from the operation of 'native law and custom' "which often makes land practically inalienable by the recognition of the right of every member to an individual share in the property."<sup>6</sup> Thus although the Bill in various parts recognised and preserved pre-capitalist tenure, its overall effect was to force all land relations onto a path of privatisation and individualisation of rights in land independent of the pre-colonial States and social relations. The recognised and preserved pre-capitalist rights were to be denied the protection of bourgeois 'legality' and 'the rule of law'; their enjoyment is subject to the extensive discretionary interference of the Colonial State.

Neither the Crown Lands Bill nor the Lands Bill was passed. Both Bills provoked strong protests from chiefs and indigenous professional and commercial strata. As already indicated the 1894 Bill was withdrawn because the new Governor wanted a more radical law. The local opposition to the 1897 Bill included a deputation to London to directly present the grounds of opposition to the British government. These protests deepened conflicts and doubts within official circles about the 1897 Bill. Bentsi-Enchill (1986,129-162) has argued that contrary to the conventional wisdom it

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<sup>6</sup> Governor Maxwell to Sec. of State, 28/9/1896, CO 96/290 7147/97.

was a combination of the protests from British mining capital and the Colonial Office's recognition of the technical limitations of the Public Lands Bill rather than the strength of local agitation that resulted in the withdrawal of the Bill (Kimble, 1963, ch IX; Howard, 1978, 40-43). The Concessions Ordinance, 1900, the legislation that emerged out of the controversies and agitation that the Bills provoked, secured the most vital conditions for the development of the mining industry, the central concern of both Bills; the impact of the Concessions Ordinance on agriculture has been minimal.

### **3.3. Transformation...**

While the challenges that mining capital posed to pre-capitalist land relations were met by the Concessions Ordinance, 1900 the transformations wrought by the commoditisation of agricultural land as a result of the spread of cocoa cultivation were left to continue emerging from the interstices of existing land relations. The fundamental feature of this process was a growing rupture between the old superstructure of dominion and servitude that bound landholder to the political authority as the economic form of land changed under the impact of the penetration of capital. This had two main features: an increasing privatisation of land and an accompanying weakening of the political power of the local states.

Four broad patterns of privatisation emerged:

1. The mutation of the stool subject/family member's 'right of use'/usufruct into de facto private property through the cultivation of perennial crops;
2. The outright sale of land by chiefs/family heads to "strangers"; and
3. The renting of land to "strangers" by a) chiefs/family heads and b) subjects/family members.

### **3.3.1. The new usufruct**

The manner in which a cultivator's right of use lends itself to transformation seems obvious. Traditionally the cultivator retained land as long as (s)he continued to use it. Furthermore the collection and preparation of palm products for the export trade over a large part of Southern Ghana strengthened stool subjects' claims over wild growing oil palm on land they cultivated or had cultivated in the cycle of shifting cultivation; even palms on uncultivated land. In a sense these two rights came to be united in the cultivation of cash crops. The landmark case of Lokko v Konklofi<sup>7</sup> gave juridical cloak to the de facto property interests that permanent cultivation gave to a cultivator's right of use. The defendant had pledged a farm, on land which he had inherited from his father. In an action to foreclose the mortgage, it was interpleaded that the farm could not be seized and sold in execution since title to the

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<sup>7</sup>(1907) Ren. 450.



land was vested in the Stool. The court rejected this argument on the basis that Konklofi had an attachable usufructuary interest in the land. This would have been sufficient for the immediate purposes of the case but the presiding judge, Chief Justice Brandford Griffith seized the occasion to lay down general principles on the legal implications of the cultivation of permanent cash crops. He argued that:

As soon as the Court ascertained that he [Konklofi] and his family had had permanent cultivation on the land, it would decide that he had appropriated that portion of the stool land to himself with the tacit consent of the stool and that it was no longer stool property, but his own.

Asante (1975,43) has correctly noted that the bold assertion that a Stool subject could acquire exclusive ownership of Stool land through some sort of prescriptive occupation violently offended the fundamental traditional principle that the Stool could never be divested of its dominion by reason only of the subject's long possession.

In pre-colonial Asante

"The conception of the actual soil as belonging to individuals, whether Kings, councillors, sub-chiefs, heads of kindred groups, or finally, the individual small-holder of a farm plot, was quite unknown and was in fact almost inconceivable" (Rattray,1929,361).

The Konklofi decision also contained a legal challenge to the old bar on the alienation of land by Stool subjects. Although attempts were made subsequently to limit the principle in the case, these did not destroy its kernel - that a Stool subject's farm can be sold in execution of a judgement debt. The importance of this will be appreciated in the following discussion of 'pledging' of farms by the lower peasantry as a way of easing the 'reproduction squeeze'.

### 3.3.2 The new "stranger"

The alienation of land to "strangers" constituted the most dramatic instances of the emergence of private property in land. We have already referred to the highly publicised migration of Krobos and Akwapims to buy cocoa land in Akyem Abuakwa at the turn of the century. While the most notorious these cases are by no means the first instances of migration and land acquisition. We have already referred the oil palm migration which preceded that induced by cocoa. Arhin's research (1985) in the Western and Central Region has showed that the migratory process has continued down the years, drawing in a much wider range of people. He found the migrant cocoa farmers in the areas covered by his survey to be a microcosm of Ghana's peoples together with a sprinkling of non-Ghanaians (Arhin,1985,2)<sup>8</sup>.

One possible effect of the Lands Bills could have been to provide the Colonial State with a broad legal basis for a rationalisation of the terms on which chiefs granted land to strangers. In the absence of such a national framework the control of potential cocoa land was fragmented in the hands of chiefs and family heads. This created a situation of an absolute abundance of cocoa land on a national scale but a relative scarcity for potential cocoa farmers from outside areas suitable for the cultivation of the crop. The failure of the Land Bills meant that whilst there may have been an absolute abundance of potential cocoa land in the country, ultimate control over their disposition and use were not unified. So for example Krobos, Gas Akuapems, Ewes, etc. had to migrate and seek land outside their own States. As the economic form of landed property changed the ultimate title and control vested in chiefs and family more

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<sup>8</sup> See also Arhin (1970,1972 and 1980).

and more became private power. The pre-colonial land boundaries constituted the geographical limits of such private control and the private hands were those of chiefs and family heads.

Certain features of pre-capitalist land relations facilitated the emergence of chiefs and their elders as de facto private landlords with a new economic power. The traditional land control powers of the chiefs, family heads to allow strangers access to land, to alienate land to settle 'communal debts', the ideological presentation of a chief's role in land relations and the absence of any mechanism within the pre-capitalist order for controlling land dealings by chiefs and family heads, were important in facilitating the sale of land. The ruling ideology presented the chief as the custodian of land on behalf of the whole community. The increased demand for land for non-subjects induced by cash cropping gave a new dimension to these powers of the chief the exercise of which hitherto, with a predominance of use value production, occasioned no severe contradictions with their ideological garb of being done on behalf of the community of the dead, living and future by their individual personification.

The differential access between locals in and migrants to cocoa growing areas had important implications for the process of stratification and class formation in the countryside. The traditional right of access/usufruct meant persons, subjects of states with land suitable for cocoa cultivation could enter cocoa production without expending any capital on land purchase or without having some of the output appropriated as rent by the landlord. The obligations owed by the subject as incidents of the pre-colonial right of access to land either fell into desuetude as the old social



formations dissolved or certain practices were suppressed by the Colonial State. This privileged access was particularly important in the early days of cocoa cultivation in the areas of secondary development such as Ashanti and Brong Ahafo where cocoa production did not develop as a result of large scale immigration so much as an intensification of cultivation by Ashanti and Brongs of their traditional land once a market for cocoa was established. As cocoa spread not only did land prices soar but chiefs were increasingly reluctant to sell land outright (Woodman, 1978) preferring to lease the land instead to tenant farmers. The overwhelming proportion of share-cropping tenant farmers are migrants into the cocoa areas. Not only is a higher level of prior accumulation necessary to be able to buy land but as we show below pressure on land made the terms of tenant farming very exploitative.

For those whose 'right of access' to cocoa land was rendered meaningless by a shortage of land or the alien who could not buy or rent land, participation in the cocoa industry was in the main as sellers of labour power. Initially most entertained the hope of accumulating sufficient capital to enable them strike out and set up on their own as cocoa farmers. By the 1930s the cocoa industry was characterised by complex and heterogeneous social relations, manifesting both capitalist and pre-capitalist elements. Stratification of the peasantry was advanced, wage labour was widespread.

Thus the Nowell Report (1938,59):

The original conception of the Gold Coast Farmer still generally held except by those with personal experience of the present situation is of a peasant cultivator who, with his own labour and the help of his family, grows his food and tends an acre or two of cocoa trees. This picture is no longer true of more than a small minority of farms and these of the smallest size. The employment of labour has become a regular feature of cocoa growing, even where the owner resides on his farm. Multiple and absentee ownership has also developed, involving the complete use of hired labour. In actual fact, very many so called farmers neither grow nor market their cocoa.

The 1912 Report of the Department of Agriculture noted the fact of non household labour being employed to harvest cocoa in Ashanti. Given the relative infancy of Ashanti cocoa production in 1912, outside labour most certainly must have been employed for longer in the older cocoa growing areas such as Akwapim and Akyem Abuakwa. The most important general category of these employer-employee relations, with pre-capitalist and capitalist elements was the share-cropping labourer of which there were two main types: the *abusa* and *nkotokuano* labourers. Share-cropping arrangements typically arise in situations where both the labourer and farmer lack capital, the former thereby unable to buy or rent land, the latter being rendered unable to pay for wage labour. This was a strong element in the development of the systems of share-cropping labour and tenancies in the cocoa industry<sup>9</sup>.

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<sup>9</sup> For detailed discussion of share-cropping and other forms of paid labour that cocoa production engendered see Hill (1956, Chapters 1-4; Arhin, 1985, 43-51).

### 3.4...and Contradictions

The development of the new economic power of chiefs and family heads had the corollary of the weakening of the political power of local states and ruling groups. This process, which can be regarded as pressure from below which pressed the local states against the rock represented by the growing strength of the colonial state had two main dimensions. On one side chiefly power was undermined by a loss of respectability with subjects as chiefs frantically alienated land. In some communities substantial alienation of land created land shortages and thereby posed a threat to the livelihood of locals (Danquah,1929,213).

Given the novelty of the practice the indigenous political system had no mechanism, short of the destoolment of the errant chief, for controlling the practice. There was no question of subjects being entitled to a portion of the proceeds from land sales. Traditionally they had given to the chief, and whatever came back to them from the chief was an act of largesse. In the period up to the 1929 Depression, the resentment against chiefs generated by land sales was an important element in a spate of attempted and successful destoolment of chiefs, including many paramount chiefs. This crisis was accentuated by the increasingly contradictory role of the chief as a functionary (*conduit*) of a foreign State - the Colonial State, and the balancing act required of him by the system of indirect rule. Interestingly most of these challenges to chiefs were in the Eastern Province, the vanguard of the cocoa industry and therefore site of the most advanced changes in agrarian relations and stratification (Kimble,1963,469-497).



More relevant to our purposes are the contradictions centred directly on the new land relations constituted by outright purchase or renting of land by strangers for the cultivation of a permanent crop. These instances of privatisation of landed property represented much more radical rupturing of the economic form of property from their juristic forms and a more stark divorce of "landed property from the relations of dominion and servitude". The process of dissociation flowed from two sets of contradictions. One of these centred around the contents of the relationship between alienor and alienee in both cases of outright sale and renting, i.e what was the quantum of interests acquired by the buyer or tenant and how do these relate to the traditional incidents of dominion and servitude to the chief. The other contradictions flowing from the first set were political/jurisdictional disputes between and within local States about control of land and therefore entitlement to rent and other economic returns from land held by purchasers or tenants. In respect of both nodes of conflict the intervention of the central colonial government as arbiter meant a further strengthening of the colonial state at the expense of the indigenous political systems.

The conflicts affected direct production in a number of ways. First of all the jurisdictional disputes meant uncertainty about a grantee's title, and insecurity of tenure has never been known to be a spur to increased investment. Also the nature of the grantee's interest has implications for the extent of exactions by the landowner the level of which bears directly on the economic return a farmer gets and therefore the attractiveness of continued cocoa farming or possibility of indebtedness. As we shall elaborate this economic dimension ramifies itself in levels of cocoa production

and the quality of the crop - the two key issues of concern for international capital.

### **3.4.1 Defining the grantee's interest**

We have argued that before the generalised spread of commodity relations in Ghanaian agriculture a non-subject of a stool who sought land and got it thereby became placed in the same relationship which all subjects occupied vis-a-vis the local political authority. In that sense the notion of "stranger" as someone with an economic presence rooted in land relations who was not in a relationship of dominion and servitude to the local stool was generally unknown. We have further argued that in this situation tribute represented a unity of rent, as something deriving from the land, and taxes as personal obligations which unity reflected the unity of the state as lord and sovereign.

In one sense the migrant cocoa farmer and the European gold prospector are not different from each other. Both of them activated by the internationalisation of capital assaulted the pre-capitalist political economy from outside, latching onto what were hitherto marginal elements of its production relations. The gold concession hunter represented less of a challenge to the political economy because there were relatively well established terms of chiefly control and tributary mechanisms for gold which was and remained economically marginal to the total dynamic of the society. The migrant cocoa farmer was however different, engaged in an economic activity which at first sight is an offshoot from what is the overwhelming economic activity in the pre-capitalist society. His geographical mobility however epitomised the character of the

cocoa, a commodity par excellence with no local use value, capable of escaping the geographical and therefore political economic boundaries of its site of production. Its circuit of production, symbolised the new freedom open to the producer, his/her liberation from the old unity of land and sovereignty and its associated relations of dominion and servitude. The fundamentally disruptive challenge cocoa production by migrants posed has a number of dimensions, unlike the transformed usufruct of a member of the land owning group the interest acquired by a migrant was hydra headed.

As a new crop, a pure cash crop at that, cocoa posed a number of problems. Was it just like existing crops, i.e consumption crops and therefore not subject to any especial appropriative arrangements between landlord and farmer or being a new commodity was it in the same category as established commodities of external trade such as gold and kola nuts and therefore subject to the tributary regime that applied to these? The practice that emerged underlined the fact that the answer could not be found within existing land relations. On one hand cocoa cultivation by members of the landowning group was effectively treated like traditional consumption crops while cocoa produced by migrant farmers who had not bought their land outright was treated under the tributary regime traditionally applied to gold and such commodities which involves the chief appropriating a fixed proportion of the commodity. In the case of cocoa the appropriation was in kind or in its money equivalent with wide variations throughout the industry with two types of appropriation of fixed proportions dominant. These being the *abusa* and *abunu* tenancy with the chief/landlord appropriating one third and



half respectively of the produce or its money form. As commodity relations spread rent in kind more and more became converted into its money form (Hill,1963,148).

Marx (1959,795) has noted that:

Rent in kind in its pure form while it may drag fragments along into highly developed modes of production relations, *still presuppose for its existence a natural economy, i.e. the conditions of the economy are either wholly or for the overwhelming part reproduced by the economy itself, directly replaced and reproduced out of its gross product. It furthermore presupposes the combination of rural home industry with agriculture* (emphasis added).

Rent in kind or money rent thus represents a contradiction in a political economy dominated by capitalism where the material reproduction of the direct producer is largely dependent on commodity exchange as rapidly became the case with cocoa production. Here the producer unlike in a natural economy has little control over all the conditions of his material reproduction. In such a situation rent in kind or money rent may "assume dimensions which seriously imperil reproduction of the conditions of labour, the means of production themselves, rendering the expansion of production and improvement of quality more or less impossible and reducing the direct producers to the physical minimum of means of subsistence" (Marx,1959,796). The truth of this assertion became evident very early in the life of the cocoa industry and remained a persistent source of conflict between migrant tenants and chiefs/landlords. We discuss the implications of this fact for cocoa production and quality in subsequent chapters suffice to say that but it was the alleged deterrent impact of this on the creation of cocoa farms that provoked the colonial state to look at the matter for the first time.

Early in 1910 the *West African Mail* reported that "certain avaricious chiefs are claiming as tribute from cocoa farmers as much as one third of the cocoa grown or sold in certain parts of the Colony, and the result is that the youngmen refrain from extending their farms"<sup>10</sup>. Following this, the Secretary for Native Affairs wrote to Provincial Commissioners enquiring about the extent of the phenomenon reported by the *West African Mail*. From what we have argued the problem was not a moral one of "avarice" or such but an objective problem resulting from the persistence of a pre-capitalist mechanism of surplus extraction<sup>11</sup>.

The result of the first general survey of rent in the cocoa industry showed a widespread imposition of rent in various proportions in all cocoa growing areas. There was a separate indication from Ashanti that a similar problem existed there. Interestingly the Commissioner for the Western Province, the last area to which cocoa spread, reported that the *abusa* rent was generally absent from the Province with the exception of its cocoa growing parts. He made the revealing comment that "cocoa growing was in its infancy" in the Province<sup>12</sup>. The problem of rent was already a matter of intense conflict in some other parts of the Colony, and involved not only landlord chiefs but private landlords as well. The Commissioner of the Eastern Province for example, claimed that the offenders within his jurisdiction were the

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<sup>10</sup> Quoted in a circular letter of 24 January 1910 from the Secretary for Native Affairs to Provincial Commissioners, Ghana National Archives (GNA), Accra, Adm 11/1/84.

<sup>11</sup> In an insightful memo E.A Brew a travelling instructor of the Department of Agriculture noted that the giving of one third of a crop to a landowner was used in ancient times "*when minor crops cultivated*" and pointed out that "cocoa involves capital outlay and greater expenditure of labour". Cited in CCP to SNA 3 February 1910 in GNA Adm 11/1/84.

<sup>12</sup> Commissioner Western Province to Secretary for Native Affairs, 11 and 19 March 1910, GNA Adm 11/1 84.

private landlords and reported that some "smaller chiefs were talking about migrating and asking the Government for land. He added, no doubt tongue in cheek that "there was little doubt in my mind that a Crown Lands Bill would have been welcomed by the people"<sup>13</sup>

Unavoidably the situation represented a challenge to static notions of "customary law" as something sanctioned by "ancient usage". The response of the government showed both a commitment to the myth of immutable "customary law" and the extent to which it was prepared to create new realities if the interest of the colonial project so demanded. A request from the Commissioner of the Central Province, which had a particularly explosive problem in one district, for a general circular "to the effect that the time has come to protect small farmers from the injustices of landowners as regards permanent crops, especially cocoa" was largely rejected. The Governor took the view that "the ultimate decision as to the respective rights of owners and cultivators of land (whether by native custom or under written or verbal agreement) in the event of a conflict lies with the Supreme Court of the Colony". The government was however not averse to a targeted executive interference in the arrangements between landlords and tenants and a circular on rent was issued to chiefs in the Central Province. The document is interesting from at least two perspectives: what it says about the power relations between chiefs and the central government and the manipulation of the myth of customary law. Signed by the Secretary for Native Affairs, Francis Crowther, on 25 August 1910, it read as follows:

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<sup>13</sup> CEP to SNA, 2 February 1910, Adm 11/1 84.



"Chief, It has been brought to the notice of the Governor that an excessive tribute in respect of cultivated land, especially land planted with cocoa, is being exacted by Chiefs in the Central Province.

2. While ancient custom may govern the proportion of such demands on account of uncultivated or native products, no such custom can exist in the case of cocoa; a new form of cultivation, only introduced into the Gold coast within the last few years.

3. Should these excessive rates continue, His Excellency will be compelled to consider the adoption of legislative measures very considerably to reduce, if not abolish, all payments by tribal land holders in respect of their cultivated land.

I am Chief, your good Friend,

Francis Crowther.

In fact even before Crowther's circular Commissioners had asked Chiefs to reduce rents. The Chief Commissioner for Ashanti, Mr Fuller told the WALC that "Ex- King Prempeh laid down a third [of produce as rent] for rubber and therefore they have kept that third for cocoa, but is much too much" and he had accordingly "suggested" to my chiefs that a tenth would be quite sufficient". He later told the WALC he took a simple administrative decision because he assumed the government controlled the land (WALC Minutes, 4673-79).

### **3.4.2 Jurisdictional Disputes**

One dimension of the uncertainty about the content of the new land relations particularly highlighted the antagonism between landownership and political sovereignty. This problem was manifested in jurisdictional disputes between the states of origin of the migrants and those in which they bought land. Are the migrants still subject to the political jurisdiction of the state from which they migrated. This represented a more insidious challenge to the pre-capitalist political order than the vertical disputes discussed below. It was between two completely autonomous political authorities, linked only by the accident of subjection to a common colonial power. It carried within it the possibility of the geographical area of a state decreasing

simply because "strangers" have bought land within it and have come to constitute an "island" owing allegiance to another political authority. Akim Abuakwa, site of the first migrant cocoa farms, provided early cases of this problem. There were separate disputes between the Okyenhene and the Paramount chiefs of Akwapim, New Juaben and Manya Krobo, all of whose people had settled on Akim land. For the colonial government these conflicts posed a fundamental challenge to the basis of indirect rule. As early as 1908 Governor Rodgers was constrained to issue guiding principles to aid the resolution of such conflicts by Commissioners. The main principle it laid down was that

On the personal and territorial rights of chiefs and the corresponding obligations of natives owing personal allegiance to one chief and residing on land within another,... natives who settle on land within the division of another chief, whether in the Colony or Ashanti, must obey the lawful orders and regulations, and conform to any approved bye-laws issued by that chief<sup>14</sup>.

This general principle however did not provide a basis for determining whether in fact a piece of land which has been on settled by migrants remains part of the territory of the chief who sold it. The murkiness was not helped by the Instructions allowing for migrants continuing to "perform certain duties" in the states from which they migrated.

### **3.5. The Pattern of State Intervention**

The transformation of land relations due to the penetration of capital constituted an inherent contradiction within the colonial political economy. This on one side sought the expansion of export agriculture but at the same time required a certain minimum vitality of the institution of chieftaincy which was being hollowed out by the emergent

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<sup>14</sup> Quoted in GNA Adm 11/1/1453

social relations of colonial economy and society. Throughout the colonial period the colonial power strove for a delicate balance between the contradictory imperatives of colonial economics and politics which was reflected in attitudes to land relations. In this regard the colonial period can be divided into two broad phases, each reflecting the historically dominant demands of capital or the local class struggle, both phases exposing the contradiction at the heart of the Colonial State. The first phase may be said to spread over the period from the beginning of formal colonialism to the beginning of the First World War, when cocoa was spreading and this spread was being encouraged wholeheartedly by the State. The second phase covers the rest of the colonial era till the onset of decolonisation from the last two years of the 1940s, during this period the concern was to minimise the extent of dissolution of pre-capitalist society induced by the spread of cocoa without arresting this spread.

Asante (1975,40-41) distinguishes corresponding phases of judicial attitudes 'to the impact of economic and social changes on traditional (land) holdings'.

In the first phase - a brief one - realism prevailed. The new social phenomena found concrete expression in the cases, and the efficacy of traditional categorisation was overtly challenged in the light of changing conditions. This phase was followed by a long spell in which the Superior Courts, alarmed at the pace of the erosion of the traditional scheme, reverted to 'pure native law.' The old conception of usufruct and 'communal ownership' were emphatically restated and applied with scant regard for the social realities.

Asante's periodisation basically coincides with Gunnarson's (1976) periodisation of the phases of the cocoa industry; it also gives an indication of the changes in law and legal forms that were taking place during the critical period, 1890 - 1911 studied by Szereszewski (1965). In the first phase the central government gave little



encouragement to attempts to stop the alienation of land or to impose vigorous controls on the process. On the contrary it was during this period that Crowther issued his circular threatening to abolish all rent. The general attitude of the Colonial State to land sales is well illustrated by the evidence the same Crowther, who had been a District Commissioner in Akim Abuakwa, gave to the West Africa Lands Committee (WALC). Talking about land sales in the District when he was in charge Crowther told the WALC he did no more than "strongly advice" the Akim Abuakwa chiefs against the practice because he felt the exchange was "advantageous" partly because the buyers, the Krobos, "are an increasing and prosperous people and the Akim are the reverse". When the Akim Abuakwa Paramount Stool proposed bye-laws which sought to define the terms of grants by sub-stools the Governor refused his approval (WALC Minutes, 10,022-23).

By the start of the First World War, with the basic elements of the colonial political economy established, the Colonial State manifested clearly its fears of the implications of the new social relations emerging, particularly the threat those in the countryside posed to the system of indirect rule and ultimately to the whole Colonial State. The dominant concern in this period till the era of decolonisation was the repression of these new classes - the new petty bourgeoisie, rural bourgeoisie lower peasantry and proletariat whose development and interests were antagonistic to the form of State that confronted them. The central importance of land control in a chief's authority and the threat the transformation of land relations posed to this authority was recognised. A central element in this bolstering up of 'native institutions' was to encourage the creation of such property rights in land as would maintain some control in the hands

of chiefs without impeding the expansion of cocoa farming. The proceedings of the West African Lands Committee (1912 - 1916) show this clearly. Its Draft Report suggested the non creation and recognition of absolute private property in land. There was a desire to impede differentiation in the countryside and curb the quantum of private rights enjoyed by cultivators (WALC Draft Report,1916).

Of course the less private rights a farmer has in land the more subject he will be to control of the landlord, in the instant case the chief. Increasingly, the courts asserted the requirement of the prior consent of the Stool to various land transactions by private individuals. There was a marked unwillingness on the part of the courts, during this period to uphold the doctrine of the Konklofi case (Asante,1975,45-50). Certainly, this would seem to have coincided with the greater resort to renting rather than sale by chiefs as a greater appreciating of the value of land took hold. The ideology of land sale as offensive to the spirit of the ancestors was preserved as the reason. In Ashanti, where cocoa took hold in this latter phase, there seems to have been very little sale of land to strangers, most of the land used by stranger farmers being rented.

The emergence of private land rights out of the crevices of the pre-capitalist order resulted in these land relations being transformed in an incomplete and contradictory manner. This reflected the mediated form of capitalism's penetration together with the class contradiction at the core of the Colonial State. Private interests were sufficiently developed to facilitate the particular form capital's dominance over cocoa production took but as we argue in the following chapters the nature of these relations

posed problems for the extension of capital's control and intensification of the labour of the producers to capital's advantage. In the case of cocoa production in the colonial period this was significant for the quality of cocoa; in the post colonial period these relations shaped the new forms in which international capital involved itself in Ghanaian agriculture.



## **Chapter 4**

### **The Cocoa Marketing System**

Within the space of twenty years the Gold Coast moved from being a non producer to the largest exporter of cocoa beans in the world. Exports rose dramatically from a mere 80lbs. in 1891 to over 40,000 tons in 1911. By 1925 the Gold Coast supplied 44% of world cocoa exports. Underlying this dramatic process was a rapid development of cocoa production as specialist peasant commodity production involving a mass of farmers and labourers on thousands of holdings. In the mid 1930s there were an estimated 300,000 cocoa farms covering between 1.25 million and 1.5 million acres. About 60% of these farms were under an acre in size (Nowell,1938,17). On the eve of the Second World War the cocoa farmer and the industrial user of his product were linked by a process of "vertical concentration" under the aegis of merchant capital. "Vertical concentration" refers to the co-ordination, standardisation, and (greater or lesser) supervision of the production of numerous individual small producers through a central agency. It could represent productive capital directly or forms of merchant's capital which thereby actively intervene in the organisation of production (Bernstein,1979,433).

This chapter discusses aspects of this vertical concentration of cocoa producers especially as they relate to the sphere of exchange in the period up to the beginnings of state intervention in the trade in 1938. It begins with a sketch of the international market, followed by an overview of the structure of the internal marketing system as it had become on the eve of state intervention. This is followed by a discussion of the actual social relations of the internal trade. These social relations had a number of

dimensions. These included 1) the terms and mechanisms of exchange between farmers and cocoa buying firms and their network of agents. An important element of this was the role of merchant and usurer's capital in the reproduction of the cocoa producers not simply in the sphere of exchange but also production. Also discussed are 2) the relations between the buying firms and their agents, 3) the contradictions among the firms in general and 4) between merchant and industrial capital in particular. The role of the state in mediating these sets of relations and their accompanying contradictions are also examined.

#### **4.1. INTERNATIONAL MARKET**

In the period under discussion, the international market for cocoa was highly concentrated in Western Europe and North America. Between the two World Wars around four-fifth of the world's imports of cocoa went to five countries: the United States,, the United Kingdom, Germany, the Netherlands and France. In 1900 continental Europe was the world's largest market for cocoa, accounting for 70%, with Germany and Austria alone taking a quarter of world imports and Hamburg the centre of the world trade. Consumption in the United States expanded strongly in the 1920s and 1930s and in 1936-37 it accounted for 45% of world consumption compared with 20% in 1900. In 1936-37 continental Europe's share of cocoa imports had fallen to under 42% of the world's total. British consumption by comparison increased from 12% of world's total in 1909-13 to just over 14% in 1936 (Wickizer,1951,273, Gunnarsson,1976,passim; Nowell,1938,Appendix C,Table II).

By 1937 international trade in cocoa was dominated by the New York and London Cocoa Exchanges. New York opened in 1925 was the more important of the two. Unlike the major British manufacturers who endeavoured to purchase as much as possible of their requirements directly from source, most of the major manufacturers, including the Hershey Chocolate Co. the world's largest manufacturer, bought on the New York Exchange. Speculation was rampant. According to the Nowell Commission (1938,126) the buying policy of manufacturers was affected at times by purely speculative considerations one of which was the desire to "make a competitor pay dearly". The London Exchange tended to follow the trends in New York but suffered the specific influence of two peculiar factors: direct purchases from West Africa by the largest British manufacturers, led by Cadbury's, and the United Africa Company (UAC)'s control of a significant share of the British West African cocoa export trade (Nowell,1938,126).

Most cocoa was sold by description under forward contracts. Buying and selling of the Gold Coast crop usually began in August, a month or two before harvesting actually started. The fact that cocoa deteriorates very quickly in tropical conditions combined with the lack of storage capacity in the producing countries also influenced the speed with which the crop had to move from harvesting into the hands of the industrial user who tended not to hold stocks of more than six months supply because of the short life of the beans (Nowell,1938: 22nd Report of Imperial Economic Committee,1932;Gunnarson,1976,23). Manufacturers' demand and speculative activity on the Cocoa exchanges were the two main influences on the international cocoa price which fluctuated widely within the season and between seasons. An additional



influence on prices was the absence of reliable intelligence on output of the main producing countries, especially the Gold Coast, mainly due to the nature of production on numerous smallholding and the resultant marketing system (Gunnarson,1976,24). These fed speculative activity on the international market and as we shall see market manipulation on the Gold Coast.

## **4.2. THE LOCAL MARKETING SYSTEM**

### **4.2.1. The Organisation of Capital**

Merchants do not make their profits by revolutionising production but by controlling markets, and the greater the control they are able to exercise the higher their rate of profit. For this reason merchant capital tends to centralise and concentrate itself into monopolies even faster than productive capital (Kay,1975,96).

For most of the period under discussion both the producer and the industrial user of cocoa were confronted by an oligopolistic structure of merchant capital in the Gold Coast internal cocoa trade. This had two aspects, a progressive centralisation of capital through mergers and take overs and concentration through buying and market sharing agreements, locally referred to as "pooling". By 1937 thirteen firms controlled 98% of the Gold Coast cocoa trade; the four most important exporters handled more than 70% of cocoa exports. The majority of these were import-export merchant firms, the most important being UAC which with its associated firms accounted for 56% of Gold coast cocoa exports in 1936-37. Just over 20% of the crop was bought by chocolate manufacturers the most important of which was Cadbury Brothers Ltd (Nowell,1938,10 and Appendix D). The high concentration and centralisation of

capital in 1937 contrasted sharply with what existed in the early years of the cocoa industry. Competition was strong in the earliest days of the cocoa industry. In the beginning the local market was divided equally among the long established merchant firms such as F. & A. Swanzy, Miller & Co., the Basel Mission Trading Co. and the German West Africa Trading Co. In the first decade of the 20th century new firms, including Cadbury's, entered the trade. In 1915-16 the market shares of the top 12 exporters ranged between 11.4% and 2.3%. 13 large and 23 smaller foreign firms accounted for 89% of exports to the U.K. (Southall,1975,141;1978,197).

In the two decades after the First World War this competitive landscape was transformed by a combination of mergers and take overs largely caused by crises arising from cocoa price movements. In 1919 the four main British merchant firms merged to form the African and Eastern Trading Company (A.& E.T.C.). The end of the War and the lifting of shipping restrictions produced a price boom and bust as Gold Coast prices followed the international trend. The local price soared from 27/- per cwt in 1918 to an average of 47/- in 1919 to 80/6 in 1920, reaching 123/- at one point. The 1919-20 boom was followed by a collapse. The number of European exporting firms dropped from 98 in 1918 to 44 in 1922 as a "direct consequence of the depressed market" (Gunnarson,1976,118), In 1929 A.& E.T.C. which controlled just over a 25% of the trade merged with the Niger Company, a Lever Brothers subsidiary which controlled 13% of exports to form the United Africa Company (U.A.C). By 1932 UAC had taken over a number of other smaller firms such as G.B. Ollivant, Busi & Stephenson, W. Bartholomew & Co and the Swiss African Trading

Co. which however retained their legal personalities<sup>1</sup>. Indigenous exporters were worst hit by the restructuring of capital. In 1918 there were no less than 292 African firms and individuals engaged in exporting cocoa alongside the foreign firms. By the 1930s only a handful were engaged in exporting negligible quantities.

Formal mergers were not the only way in which merchant capital tried to strengthen itself vis-a-vis those whose relationship it mediated, i.e cocoa producers and chocolate manufacturers. Even in the years of more open competition some of the firms entered into buying agreements dividing the market and regulating producer prices. The first Agreement was signed in 1901 and renewed annually between 1903 and 1906. Similar agreements were in force from 1910 till 1917 (Southall,1975,32; Gunnarson,1976,119). Even before the merger of A.& E.T.C. and the Niger Company the two firms had been linked from 1925 in a buying agreement which involved two other firms and renewed in successive years till 1928. The pool controlled nearly half of the export trade in the mid 1920s, representing a quarter of the world's output at the time. This pooling agreement was the basis of an abortive and expensive attempt to manipulate the market in 1927/28. The failure of this attempt sent the A.& E.T.C. into a tailspin from which it was rescued only by the merger with the Niger Company. The pooling agreement was revoked in August 1928 (See 22nd Report of the Imperial Economic Committee, 63; Southall,1975,310).

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<sup>1</sup> Also of consequence for the Gold Coast trade was the 1919 merger of the chocolate manufacturers Cadbury Brothers and J.S. Fry which together with dominated chocolate manufacturing in Britain for which purpose Cadbury's had since 1906 bought cocoa direct from the Gold Coast and in later years on behalf of the other two.



#### **4.2.2. Merchants and Brokers**

The internal cocoa marketing structure evolved out of the system which linked European merchant capital with petty commodity producers on the Gold Coast in the pre-cocoa era. This involved merchant firms based on the coast buying and exporting agricultural commodities through a network of local middlemen and in turn selling, again through middlemen, manufactures imported from the metropolitan countries (Kimble,1963,35). Many features which were to have an important role in the cocoa industry, such as the system of cash advances from middlemen to farmers, were also present during the palm oil and rubber trades (Arhin,1972,36; Grier,1981,31). The middlemen of brokers and sub-brokers were a crucial element of the cocoa trade, connecting the direct producer to the international market through the merchant firms. In legal terms the producer was linked to the exporter via a chain of agency contracts. In 1938 there were an estimated 40,000 brokers and sub-brokers in the cocoa trade (Nowell,1938,29).

This centrality of middlemen was the result of several factors including:

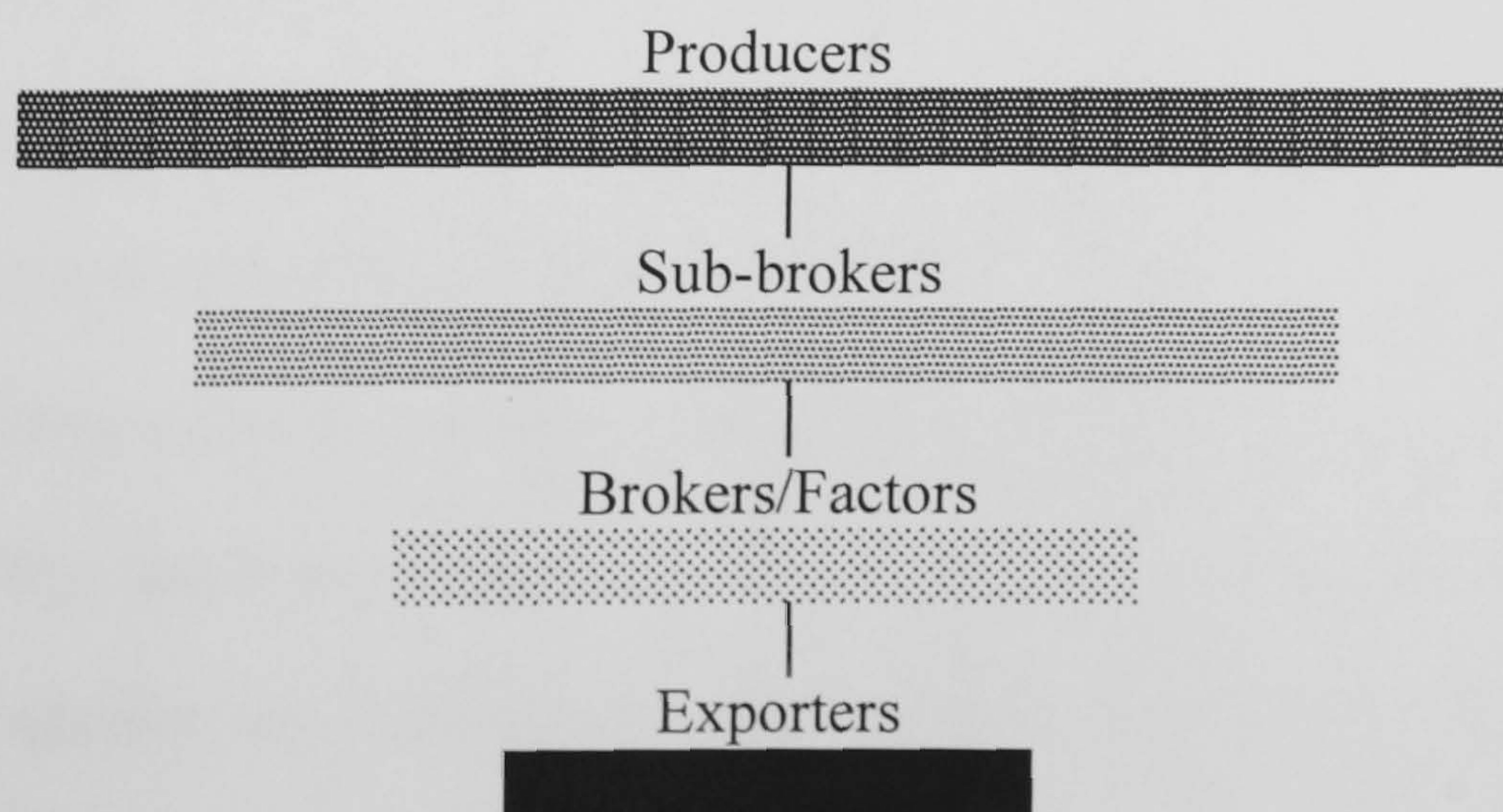
1. The generally small size and large number of cocoa holdings as indicated above. The 1937/38 crop of 300,000 tons, worked out to an average of about or slightly less than 2 tons per farm;
2. Cocoa harvesting and marketing was concentrated in a relatively short period - September/October to January/February with a small mid crop coming four or five months later. It meant demand for buying labour was largely seasonally and large numbers were required when needed;



3. The organisation of purchase from the direct producers using full employees would have placed the burden of providing the back up fixed capital assets such as storage sheds at the lowest level on the firms;
4. The poor state of the transportation network. Even as this improved throughout the colonial period many farms remained relatively inaccessible though the smallest sub-brokers disappeared with the growth of the transport network.

According to the Nowell Report, most cocoa travelled the route, shown in Diagram 4.1, from the producer to the international market. Outside the 'regular chain' in the diagram and discussed below a negligible proportion of the annual crop was handled by many independent dealers of varying scales of operation, who operated wholly with their own capital and sold directly to the firms and whose only contractual relationship with the firms was that of buyer and seller.

Diagram 4.1. Simplified Marketing Chain




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Adapted from Appendix G of Nowell Report, 1938.



The Broker: The broker was the nodal point in the local marketing structure. The broker bought and delivered conveniently large quantities of cocoa to the firms, maintaining a store for which the firm paid the rental and perhaps also granted allowances towards the cost of labour employed at these depots. Although a broker could be a relatively small operator, mainly collecting and delivering cocoa from his own village to the exporting firm (some firms preferred such a broker perhaps because of the greater control it allows over the marketing chain) larger brokers predominated, with elaborate establishments. By 1937, a standard form contract, setting out the terms of the relationship between broker and exporting firm had evolved<sup>2</sup>. The broker was part employee, part agent, being engaged on a removable basis at the discretion of the firm on a commission but also frequently receiving a small salary or retainer.

The broker operated largely but not solely with money advanced by the firm which was to be used exclusively for purchasing cocoa. The advance was usually secured on some immovable property, with the firms preferring houses to farms. The broker undertook during the continuance of the agreement not to buy cocoa for any other firm. Most importantly the broker undertook to buy and deliver cocoa of an agreed quality at prices fixed by the firm and to render accounts. The specified quality was historically determined by pressure exerted by the international market. In the pre First World War phase, wet unfermented cocoa was largely bought and sold. In 1937 the requisite quality was broadly defined as cocoa of "commercially dry and of fine fermented quality".

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<sup>2</sup> See model contract in Appendix 11 of Nowell Report, 1938.



The firm supplied "service bags, shipping bags and other usual equipment in quantities determined from time to time by the company". These were usually scales and tarpaulins. The company retained "the right to terminated this Agreement forthwith if the Buyer fails to discharge his duties to the satisfaction of the company and/or committed any breach of the Agreement and thereafter no further salary or commission shall be payable to the Buyer (broker)"<sup>3</sup>. Either party could terminate the agreement on a month's notice.

The Factor: This agent for all intents and purposes performed all the function of the broker plus the processes entailed in making cocoa ready for shipment such as grading and re-bagging which the firms normally undertook after receiving cocoa from the broker. They generally were large scale operators engaged by the firm at special rates of commission and salary/retainer.

The Sub-Broker: This was the purchaser at the lowest level of the structure of exchange, in direct contact with the producer. He usually handled small quantities of, at times, as little as one/two tons per year or in very exceptional cases as much as 300 tons. He made purchases with money advanced by larger middlemen who engaged him. The sub-broker operated in a limited local area and as farms became more accessible was rendered superfluous/redundant in some localities.

Scale-Buyer: These were salaried employees of the buying firms who went out directly to buy from farmers. This category of buyers was of limited importance, used mainly

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<sup>3</sup> Clause 10, Nowell Report, Model Agreement.

by Cadbury's who as manufacturers wanted more control over the quality of cocoa they bought.

The practical functioning of the marketing chain showed a recognition that no player fully controlled the activities of its immediate agent. The relationship between the firms and their brokers sought to relate the operation of the local market to the international. The international prices were regularly communicated by the European headquarters to the local firm, which fixed price limits for its brokers based on it. The brokers in turn do the same for their sub agents, based on the price fixed for them (brokers) by the firms; each elongation of the chain implying a reduction of what the producer gets. Upon a price change, the broker/sub-broker was asked by his principal to declare his stock of purchased cocoa before the new price came into effect. In practice the broker/sub-broker was allowed a grace period within which to make his stock declaration since there was usually a need to ascertain the total purchases made to date by sub-agents/sub-brokers. The system lent itself to speculative manipulation at every level. A broker/sub-broker may under/over declare his stock depending on which way prices were moving. Over declaration occurred when the market was falling and the converse when prices are rising. The firms/brokers sought to counter this with their own manoeuvres such as the 'false drop': calling forth a declaration of stock on a trumped up announcement of a falling price and then immediately thereafter announcing a price rise.

At the start of the buying season hundreds of thousands of pounds were funnelled down from firm to broker to sub-broker to farmer. "The remarkable feature of the

system in the Gold Coast is the amount of advances issued by the firms" (Nowell Report, 1938, 98). How long an advance to a broker remained outstanding varied. Usually larger brokers had a longer turn around time. Smaller brokers had a shorter time since they usually did not provide adequate security for the money they received. The length of time advances remain outstanding was also influenced by the problems of getting in cocoa. As the broker/sub broker turns in cocoa he gets a fresh advance. A large proportion of advances were not employed in direct purchases. Considerable sums were also given out to farmers before the harvesting season (my emphasis) who thereby effectively forward sold their crops. The Nowell Commission was told that in the Koforidua area (then the heart of the cocoa growing region) as much as 50% of the crop might be purchased in advance at fixed prices (Nowell Report, 1938, 31). The advance was usually half the estimated value of the future cocoa crop with the prevailing market price used as a basis (Shepherd, 1936, 40). The payment of advances was powered by two factors: competition among the buying firms and precarious material conditions of the vast majority of cocoa farmers.

#### **4.2.3. Prices, Peasant Indebtedness and Resistance**

The cash advances from brokers together with other forms of credit helped the farmer survive from season to season. Howard (1980, 73) has argued that

"without the money lenders many producers could not have survived from one season to the next, given that the price which they were paid for their cocoa often did not cover their costs; hence the system of peasant production which generated mercantile capitalist profits might have broken down completely without usurer's capital.



Debt relations therefore did not only play a central role in the cocoa marketing system but by ensuring reproduction of large sections of the cocoa peasantry constituted a crucial mechanism of their subsumption to capital.

Despite the almost continuous expansion in the volume of output throughout the colonial period<sup>4</sup>, the income and material conditions of the mass of cocoa producers were very precarious. The basic factor was the manner of division of the cocoa social product. Merchants and brokers appropriated a portion of the product in their roles in the process of circulation and exchange. Linked to this was the portion lost to usurer's capital which is discussed below. From 1916 the State instituted a contested cocoa export duty which very rapidly became the main source of State revenue (Kay,1972,348;Nowell,1938,37-39). Price fluctuations also exacerbated the situation. The price of cocoa frequently changed from season to season and from day to day during the season for example 1920 recorded both the highest and lowest prices ever on the world market. The 1920 price peak was not matched until 1947 (Southall,1978,196). Producer prices on the Gold Coast however fluctuated more heavily than the international prices pointing to local influences on the price (Gunnarson,1976,75). The main local factor was manipulation by firms so as to secure competitive advantage (Nowell,1936,105;Gunnarson,1976,73).

Gunnarson's statistical analysis (1976,80-91) showed that behind the facade of continuous expansion in the period under discussion the cocoa producer for most of the period faced deteriorating terms of exchange. He isolated four broad phases in the

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<sup>4</sup> See Table 21b in Kay (1972,336).

history of the industry in the colonial period. The first period running from the introduction of cocoa as a large scale cash crop around 1890 until the outbreak of the First World War was a period of rapid expansion with rising income for the producers. The second phase, from 1915 to 1921 was a period of deterioration mainly due to the War. The shipping problems it occasioned created local difficulties of a production glut and severely depressed prices even as international prices were high. This period was the first serious setback for the industry.

1922 to 1927 was a period of some recovery. Expansion of production was accompanied by a general rise in prices and farmers' incomes. The fourth phase "from 1928 to 1943, with a minor upswing in 1933-37, was the period of severe decline for the Gold coast cocoa industry" (Gunnarson,1976,91). A rapid expansion of output did not counterbalance the deterioration of prices and incomes fell. In 1927 an output of 210,000 tons brought in £11.73 million in 1935, 269,000 tons was worth £5.2m. Generally, therefore, it can be said that almost as soon as cocoa production established its pre-eminence in the Gold Coast political economy short and long term cyclical price instability set in.

Deteriorating terms of trade and falling incomes face commodity producing peasants with three choices: accepting the new levels of real income, raise total marketed output by increasing the rate of "self-exploitation" by working longer hours or fall into debt (Bernstein,1979,427). What choices are made depend on a number of objective factors including the limits to individual productivity, availability of means of production and nature of the crop he produces (Goodman & Redclift,1981,79). Typically anyway

those farmers who are the first to face a reproduction squeeze are those who have little room for manoeuvre either by way of cuts in living standards or raising output. In the case of cocoa the long gestation time of cocoa, a tree normally started bearing five years after planting reaching a peak two or three years later, increased output is not a short term possibility for a farmer faced with falling income. Usually therefore deteriorating terms of trade pushes commodity producing peasants into debt as they try to make up shortfalls in their cash needs.

The mortgaging of the crop to merchant or wealthier peasants is a typical response to this crisis and a route to peasant indebtedness. Such a response imposes the obligation to produce and deliver the mortgaged crop. Thus the "objective effect of the simple reproduction squeeze then is to act as one of the mechanisms of intensifying the labour of the peasant household to maintain or increase the supply of commodities without capital incurring any costs of management or supervision of the production process" (Bernstein,1979,429). This was the case in the cocoa industry and the increasing subsumption of the peasantry to capital as a result of the reproduction squeeze was through the agency of the two antediluvian forms of circulation capital: merchant and usurer's capital (Kay,1975,chapter 5; Bernstein,1976; Marx,1981,728; Goodman and Redclift,1981,82).

Indebtedness among the cocoa peasantry took two main forms: forward selling of the crop in exchange for brokers' advances and the mortgaging of farms or "pledging" in customary law usually for larger sums of money than given as advances by brokers. Cocoa brokers' advances "enabled buyers and sub-buyers to obtain a strong hold over



producers" (Nowell,1938,109). Most of the advances from brokers went to small farmers to finance consumption and farm maintenance during off-harvest season. It is arguable that the terms of brokers' advances, indicated above, to farmers made these transactions indistinguishable from the operation of usurer's capital. This speculative arrangement usually resulted in a profit for the broker though losses were suffered occasionally.

A customary law pledge of a farm involves the delivery of possession and custody of a farm by a person to a creditor to hold and use until the debt due is paid. Most creditors were not "professional" money lenders being usually either brokers or wealthy farmers (Shephard,1936,40-41). There are two categories of pledges, each with variants. Under automatic redemption pledges all or part of the produce from the pledged farm goes towards the liquidation of the debt. Under the second, less common and more exploitative type of pledging the crop simply goes towards the interest on the loan. Unlike a common law mortgage a pledge cannot be foreclosed and the pledgor has a perpetual right of redemption. Under all the forms of pledging described the debtor may work on the pledged farm as a labourer<sup>5</sup>. In 1935 at least 30% of farmers were estimated to have pledged one or more of their farms.

The various types of usurer's capital, i.e advances and more regular money lending were present in the cocoa industry from the earliest years. The scale of the problem was indicated in the evidence of W.F. Grey, the Gold Coast representative of the

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<sup>5</sup> On the legal incidents of pledges see Kludze (1988,449-475) and for pledging in the cocoa industry see Hill (1956,48-84) and Shephard (1936,38-44).

merchant firm Swanzy's and Millers, to the West African Lands Committee (WALC) in 1912:

WALC: And as to the practice of mortgaging is that common?

Grey: That is very common indeed, especially now owing to the system of purchasing cocoa. The system of purchasing cocoa is by advances being given to a very large number of small natives (I do not mean physically small, but men with little capital) and they give us security usually a mortgage on cocoa land - upon farms.

WALC: Not simply on the produce, but on the land itself?

Grey: No, on the land itself. There must be thousands and thousands of these mortgages spread over the cocoa district at the present moment<sup>6</sup>.

Grey was well placed to know; in 1912 Swanzy's and Millers were two of the four top cocoa exporting merchants firms on the Gold Coast.

The indebtedness among the cocoa peasantry increased and the terms of credit got more oppressive during periods of severe deterioration in the producer's terms of exchange (Gunnarson, 1978,113). During the local cocoa crisis of the First World War years, Tudhope (1918) reported that the practice of pledging had extended enormously in the Gold Coast but remarked the relatively low level of indebtedness in Ashanti. At this time cocoa production although expanding in the Province was of secondary importance. By the end of the 1920s cocoa production had increased phenomenally in Ashanti, from 4,170 tons in 1912 to 70,000 tons in 1926. The spread of cocoa cultivation was accompanied by increasing indebtedness. In his 1928/29 Annual Report, the Chief Commissioner for Ashanti noted that most of the civil cases before the courts were 'principally due to actions for the recovery of debt contracted in connection with cocoa transactions'. The remark is repeated in the 1930/31 Report.

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<sup>6</sup> Minutes of Evidence, West Africa Lands Committee (1916) paragraphs 5415-5416.

Throughout the Gold Coast indebtedness among cocoa producers reached new depths during the Depression of the 1930s (Shephard,1936,41-42)<sup>7</sup>.

The incident of brokers' advances to farmers also increased during the Depression. The fall in cocoa prices which heightened farmers demand for credit also produced a complementary competition among the merchant firms to increase their individual share of exports so as to combat the reduction in profitability. Thus the farmers' need for credit found mutual reinforcement in the firms' increasing use of advances as part of the drive to buy more cocoa. According to the Nowell Commission (1938,109)

both the amount of advances made by firms and the length of the period over which they were permitted to remain outstanding had increased in recent years. the representative of one firm of medium size stated that until about four years ago their advances had been small, but that in 1936-37 they had lost £20,000 on them.

Enquiries made throughout the cocoa belt in 1933-34 by agricultural officers revealed that an estimated 75% of cocoa farmers pledged at least a portion of their crop (Shephard,1936,41).

Cocoa producers responded to the linked burden of price instability, domination by oligopolistic capital and indebted in a variety of ways. These included reduced expenditure of labour on ensuring cocoa for which advances have been received are of high quality, persistent attempts by rich farmers and middlemen to engage in direct exports of cocoa and periodic hold ups of cocoa when prices were low. The most pervasive impact of indebtedness was on the quality of cocoa. The farmer had no incentive to carry out any but the minimum preparation of cocoa which had been

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<sup>7</sup> See Correspondence in GNA ADM 8/2/460/33: Cacao Crops - Sale or Mortgaging while on the Trees and also 1933/34 Report of Department of Agriculture.



mortgaged. Unlike the merchant buyers industrial buyers such as Cadbury were as interested in the quality as in the quantity of cocoa that they bought and from its first days in the Colony Cadbury's lamented the pernicious effect of indebtedness on cocoa quality. The manufacturers' drive for quality improvements in the industry was supported by the state. Though not the only factor that affected the quality of cocoa indebtedness among cocoa farmers contributed to the frustration of attempts by the State and industrial capital to raise quality<sup>8</sup>. The inverse relationship between the indebtedness of farmers and the quality of cocoa was starkly apparent during the Depression of the 1930s. Official reports of the period blamed indebtedness for poor quality of cocoa and also reduced standards of cultivation<sup>9</sup>. Shephard (1936,41) suggested that "an improved system of finance would remove one of the most obstacles in preparing good quality cocoa".

The most militant and organised form of farmers' resistance to the market sharing and price control agreements among the export firms and low prices was recurrent incidents of farmers holding up and refusing to sell their cocoa. Occasions of hold ups were also the moments when the issue of direct exports bypassing the merchant firms came most strongly to the fore. The 1903 pooling agreement among the main merchant firms provoked a brief hold-up. The following year a drop in prices led to "a temporary but complete embargo" on sales (Southall,1975,38) and again in 1908 when prices dropped after two years of relatively good prices a hold up was attempted.

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<sup>8</sup> The attempts to improve the quality of cocoa are discussed more fully in the next Chapter.

<sup>9</sup> See for example 1929/30 Annual Report for Ashanti and 1933/34 Report of the Department of Agriculture.

The inter-War period was punctuated by hold-ups of increasing depth of organisation, breadth of participation and length of duration. Throughout the 1920s there were indications of sporadic attempts at hold ups to push up cocoa prices and generally in protest against merchant firms<sup>10</sup>. The most significant of these occurred in 1921-22 and 1922-23 seasons and were centred in the pioneer cocoa growing area of Akuapim. The price collapse in 1921-22, following the 1920-21 price boom precipitated a hold-up. The event marked the emergence of a national farmers organisation, the Gold Coast Farmers Association (G.C.F.A), later the Gold Coast and Ashanti Cocoa Federation (G.C & A.C.F), formed in December 1921 under the leadership of farmer-traders. The G.C & A.C.F was to play a central role in future hold ups and confrontations between farmers and merchants (Southall,1978,203). Both the 1921-22 hold-up and one the following season which lasted for two months, failed to achieve their main objective of a better price.

The hostility of the central government to the hold ups was an important reason for the collapse of the hold ups of the 1920s. This hostility was dressed up as a concern for free trade and the liberty of the citizen. The claim that hold-ups were in restraint of trade, first deployed against the attempted hold up of 1908, was a central pillar of the government's defence of the interests of the buying firms in not only the 1920s hold-ups but the more significant ones of the 1930s. A G.C.F.A. delegation which met the Governor, Sir Gordon Guggisberg, in the midst of the 1921-22 hold-up was told that the administration would not tolerate the use of force to maintain the protest and that

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<sup>10</sup> See Department of Agriculture Reports, 1921 - 1929.

if a farmer wanted to join the Association and refuse to sell cocoa there is no law against them, but there is a very serious law against anyone stopping any other man who wishes to sell his cocoa<sup>11</sup>.

At the local level district Commissioners dealt summarily with those identified as leaders of the protests<sup>12</sup>. The Director of Agriculture however thought the hold-ups had positive aspects. He thought "the attempted combination of farmers is a sign of an awareness that may have possibilities in other directions and it will be the aim of the Department [of Agriculture] to guide them into proper channels"<sup>13</sup>.

The government was however considerably exercised by the effects of indebtedness on cocoa cultivation and crop quality. As is shown in the next chapter the state devoted considerable effort to improving cultivation and quality standards. In comparison the underlying problem of debt never received serious attention, the recurrent official expressions of concern about it notwithstanding. Throughout the colonial period, despite numerous committees appointed to investigate the problem of indebtedness, the State fostered co-operative movement was seen as the vehicle for dealing with the debt problem. The co-operatives are discussed in the next chapter but suffice here to say that they did not make an impression on indebtedness. The 1918 cocoa export and price slump crisis and the great increase in indebtedness provided the first occasion for a statement of the colonial government's policy. A petition from

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<sup>11</sup> GNA/ACC 2601/58.

<sup>12</sup> 1921 Annual Reports of the Eastern Province and of the Department of Agriculture. The active intervention of the state on the side of the firms through the criminal prosecution of organisers of the protest, supposedly in defence of the freedom of contract and during later hold-ups charges of assault to prevent sales and through pressure on chiefs call into question Seidman's thesis (1973,568) about the rule of the free market and absence of state intervention in the conflicts between merchants and farmers in the Gold Coast.

<sup>13</sup> Annual Report of the Department of Agriculture, 1921.



Eastern Region Chiefs called for the setting up of an agricultural bank capitalised by the State. This proposal was rejected. The Government expressed the view that no credit scheme could be institutionalised before a co-operative movement had developed (Hill, 1956, 61; Quaidoo, 1957, 4).

No serious effort was ever made at the legal regulation of usurer's capital; where laws were passed they either were impossible to enforce or were fatally defective in their provisions not being tailored for the debt relationships in the cocoa industry. Take the Recovery of Loans Ordinance, 1918. Under Section 3(1) of the Ordinance:

Where proceedings are taken in court for the recovery of money lent, enforcement of any agreement or security... and there is evidence which satisfies the court that the interest charged is excessive... and that transaction is harsh and unconscionable, or such as will get equitable relief, it may reopen the transaction irrespective of agreement between the parties and relieve the person sued from payment of the excess of a sum adjudged fair by the court in respect of principal, interest and charges; where the excess has been paid order repayment, or indemnity by the lender in respect of any security given.

The legislation is based on the types of petty loan transactions known to English law at the time; these did not involve the lender taking possession and enjoyment of the borrower's means of production as was the case in the vast majority of cocoa credit transactions. The only category of credit transaction in the cocoa industry it could apply to was the broker's advance. However since payment normally took the form of the farmer/debtor delivering his crop the law was of little practical relevance to this most important debt relationship. In a vast majority of cases brokers did not have to resort to court proceedings - most farmers fulfilled their obligations.

The definition of 'money lender' under the Moneylenders Ordinance, 1940 which sought, among other things, to regulate the rate of interest charged by moneylenders

deliberately excluded the broker in his capacity as creditor when giving advances. 'Moneylenders' as defined by section 2 of the Ordinance did not include: a) Co-operative Societies; b) any body corporate, incorporated by Special Ordinance; c) *any person bona fide carrying on any business, not having as its primary object the lending of money, in the course of which he lends money* (my emphasis). In the internal debates that preceded the passage of the Moneylenders Ordinance, 1940, the dominant viewpoint was for the exclusion of brokers' advances from the purview of the law. The Attorney General was of the view that since the re-payment of advances was in kind legally speaking it was not a credit transaction. The Chief Commissioner for Ashanti appealed to "freedom of contract" to reach a similar conclusion. He contended that

with regard to loans to farmers on the security of their cocoa crop, it might be argued that such transactions merely amount to forward sales and I do not know how farmers can be prevented from selling their crops at low prices. The solution lies in the provision of better facilities for farmers to obtain advances between seasons<sup>14</sup>.

The Chief Commissioner's argument reflected one of the three strands in the official understanding of the roots of peasant indebtedness: that which recognised that the problem flowed from shortfalls in farmers' incomes which ultimately was blameable on the price of cocoa. Most proponents of this position however saw the solution to indebtedness lying in the farmer accepting a lower standard of living (Shephard, 1936, 43). A second official perspective confused debt contracted for productive purposes i.e. agricultural credit and non-productive personal debt due to shortfalls in income. The solution to the problem was therefore the provision of

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<sup>14</sup> GNA SNA 256/32: Suggested Licensing of Moneylenders.

agricultural credit. This was never a strong current. The dominant explanation, which is deeply influenced by racist imperial notions of the colonised as economically irrational creatures, saw debt as a result of the 'native's lack of thrift' (Auchinleck, 1934; Nowell, 1938, 23). If the acquisition of thriftiness was the issue then government need not do more than create the conditions for inculcating industry and thrift. The government created cooperatives were among other things expected to serve as schools for this purpose. As is shown in the next chapter since the diagnosis was wrong the cooperatives' remedy did not work.

### **4.3. The Great Depression and the Showdown**

From the preceding sections it is possible to identify several layers of contradiction in the domestic cocoa marketing system. The basic conflict was between the producers and the buying firms<sup>15</sup>. Though not wholly responsible for the level of producer prices the firms mediated the farmers link with the world market and the farmers' knowledge of the buying agreements amongst the firms meant they were blamed for price fluctuations. Within this basic divide between farmer and firm we can isolate relations between firms and brokers, farmers and brokers and merchant and industrial buying firms as subsidiary layers of conflict. The foregoing analysis does not only indicate that under conditions of average profitability these contradictions did not threaten the stability and reproduction of the totality of these relations but also hint

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<sup>15</sup> The simple division between farmers and buying firms is not to deny differentiation and antagonistic production relations within the sphere of production. Some aspects of this were dealt with in Chapter 2 and in the discussion in the present chapter about the role of farmer-trader-moneylender "an all-round agent of the extension of commodity relations" (Bernstein, 1979, 431). The relations among those engaged in direct production are not a primary issue in the present discussion.



at the potential lines of fissure in abnormal conditions. The fall of cocoa prices to an all time long term low during the Depression of the 1930s, resulting in a crisis of profitability for the exporting firms and dramatic drop in the income of the cocoa farming community, provided the abnormal conditions which brought the contradictions to a head.

#### **4.3.1. The Merchant's Response**

With the onset of the Depression a wild competitive scramble broke out among the merchant firms as each sought to secure its own conditions and maintain its level of profits. UAC was pivotal to both the competition and efforts at cooling it. Soon after its creation the UAC put forward a collective buying scheme, to run for ten years, which would involve manufacturers who utilised West African cocoa and the merchant firms who controlled the local market. The scheme was to cover 65% of the Gold Coast and the Nigeria crop (about 35% of the world's output) for 1929. The scheme, among other things, was to be controlled by a board constituted of an equal number of representatives from the industrial and mercantile firms, with a UAC chairman exercising a casting vote. There was to be no parallel purchasing outside this framework. The proposal received a rather tepid response and failed to take off as most potential participants felt it concentrated too much power in the hands of the UAC.

The merchant firms alone completed a buying agreement in June 1930. They agreed to regulate: a) the extent of advances; b) buying prices; and c) the commissions paid to brokers. This attempt failed after only a year; a substantial percentage of cocoa was

bought and sold outside the agreement since some of the more important firms did not participate. Between 1933 and 1937 the buying firms competed aggressively. In the 1931-32 season, UAC initiated a price war by buying cocoa at 1/- per cwt. above the ruling Liverpool price. Other firms were driven to follow but the smaller ones were severely crippled by the contest. The situation drove Cadbury's who had hitherto refused to be part of any Buying Agreement to agree to discuss prices throughout the 1933-34 season and the rate of commission paid to brokers with UAC.

As the firms tried to undercut each other their reliance on the brokers correspondingly increased. Commissions to brokers shot up and even Cadbury's who generally regarded the employment of brokers with a jaundiced eye capitulated and forked out higher commissions under threat of losing their own brokers to other firms (Southall, 1978, 207). This competition among the firms strengthened the relative position of the brokers. A similar process went on between broker and sub broker. The manipulation of stock declarations by brokers increased; the brokers exploited the competition among the firms, on occasion breaching their contractual obligations and selling cocoa to the highest bidder, notwithstanding the fact that another firm may have advanced money for the purchase (Nowell, 1938, 103-110). There was nothing new in the practice of manipulating stock declarations but in the crisis conditions of the 1930s it cut deep into the profits of the firms. This placed them in the paradoxical situation of trying to protect their profits by more tightly controlling the middlemen they were increasingly reliant on<sup>16</sup>. A desire to assume greater control,

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<sup>16</sup> For detailed discussion of the relations between brokers and firms during the Depression see Nowell (1938, 104-110) and Southall (1978).

or more correctly radically change the traditional relations between firms and brokers and reduce the share of the trading profit taken by the middlemen lay at the heart of the 1937 Buying Agreement that precipitated the monumental cocoa hold-up of 1937-38.

#### **4.3.1.1. The 1937 Cocoa Buying Agreement**

The 1937 Buying Agreement<sup>17</sup> was signed by thirteen firms, which together purchased 98% of the Ghana crop. In the 1936-37 season there had been heightened competition among the buying firms in response to speculation on the American market which had driven prices up towards the middle of that season. The fears of a short fall in world output which had fuelled the speculation and price rise turned out to be false with a resultant fall in prices towards the end of the season which led to the exporters making losses. This predisposed them to UAC's proposals for a Buying Agreement (Southall, 1978, 209). The agreement was to run for four years from October 1, 1937. It represented the most complete contractual collusion to date by the buying firm considering that the previous agreements had not covered more than half of exports. It had an additional historic significance: it involved the buying agency of the largest British cocoa and chocolate manufacturers, Cadbury Brothers and J.S. Fry & Sons. The virulence of competition throughout the 1930s had seen the collapse of smaller firms and strengthened the position of the UAC which with its associated firms had bought more than 55% of the 1936-37 crop. Any firm that did not

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<sup>17</sup> The 1937 Cocoa Buying Agreement, the hold up and goods boycott of 1937-38 that it provoked are extensively discussed by, among others, Nowell (1938), Milburn (1970), Gunnarson (1976, 125-160), Howard (1976; 1978, 207-219), Miles (1977), Southall (1975, chapter 12; 1978). The works also examine the outcome of the Nowell Commission and the reform of cocoa marketing from the beginning of the Second World War. The following discussion of the Agreement, the hold-up, the Nowell Commission and cocoa marketing reform, which draws on these sources, is essentially schematic.



participate in a new UAC sponsored agreement therefore ran a real danger of being squeezed out. The capitulation of the manufacturers was a statement of both the crisis of profitability in the export trade and UAC's domination.

The Agreement sought to guarantee each participant a proportion of the total crop, based on past performance. The firms were to purchase cocoa at a uniform price based on ruling international prices. Penalty and handover clauses were inserted to discourage any attempt by any firm to exceed its quota or breach any of the other terms of the Agreement. The Agreement was explicit about the aim of controlling brokers and thereby prices. "The Letter of Instructions" to Gold Coast agents of the firms which signed the Agreement (Agreement firms) listed fifteen practices and types of payment to brokers "under which [brokers'] abuses can be present". Especially singled out were: "1) The over payment of the price justified by the home market and the acceptance of (brokers') false declarations 2) The other of ever increasing inducements to middlemen and 3) the granting of excessive cash advances". The "Letter of Instructions" declared:

Generally speaking, it can be said that every act which will permit brokers, buyers or clerks to exceed the agreed marked scale price for the time being in force, is an abuse, and steps should be taken to minimise and ultimately stamp out abuses in all forms. It is however, imperative to bring them under effective control (Nowell, 1938, 215).

The Agreement contained specific provisions against these "abuses". The declaration of stocks has been shown to be a crucial element of broker/firm relations. A time limit of 48 hours was fixed for declarations by brokers. The Agreement declared that its long term intention was to seek almost immediate declaration by brokers. It sought

to render possible manipulations of declarations almost always unprofitable to the broker. The time allowed for declarations was very short considering the broker's mode of operation with sub buyers/agents some of whom may be up to anything up to 50 miles away out of reach of telephone or telegraph. When this is coupled with the restrictions on advances, the brokers' independent operation was rendered very difficult. The Agreement provided that as far as possible advances were to be given on a day to day basis. However, at the slowest, cash advances should be turned over at least once a week, and every four days at the height of the season. The practice of overlapping advances - more being given out before a prior advance had been adequately accounted for by a broker was to cease.

An important aspect of the broker's semi autonomy has been his ability to work for the highest bidder. No more. Rates of remuneration were to be standardised. Also dismissal by one firm blighted a buyer's opportunities. The firms undertook not to employ a broker dismissed by another Agreement firm. Though overall the Agreement did not remove all the broker's independence it sought to tightly hem his operations round with safeguards in favour of the merchant firms. In a sense it sought to convert the semi autonomous broker to a status approximating that of a wage labourer without the advantages of that status: he was to continue bearing many of the risks connected with buying cocoa<sup>18</sup>.

#### **4.3.2. Farmers' Response**

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<sup>18</sup> See text of Agreement in Appendix J of Nowell Commission Report (1938).

The 1930-31 cocoa buying season opened with a price drop, 10/- a load in September 1930 compared with 17/9 the previous September. This was mainly due to a 25% drop in American imports in 1930 (Southall, 1975, 340). In the Gold Coast the international development coincided with news of the UAC initiated buying pool. Blaming the price drop on the Agreement farmers responded with the most comprehensive hold-up to date. Support for the hold-up was near total in the pioneer cocoa heartland of the Eastern Province and was also very strong in the Central and Western Provinces. In the three months October through December very little cocoa was sold, by the middle of November only 13,000 tons of cocoa had been bought by the firms compared with 43,000 tons at the same time the previous year.

The 1930/31 hold up had important characteristics not present in earlier attempts at resistance. These included a) the support of chiefs, including notables such as Nana Sir Ofori Atta for the hold up movement and the co-optation and utilisation of some of the institutions of indirect rule such as native tribunals, state and provincial councils - for a mobilisation of support for and enforcement of the hold up, b) the highlighting of the conflict of interests within the anti-merchant movement, particularly between brokers and farmers, c) the combination of cocoa hold up with a boycott of imported goods, and d) the consolidation of a truly cocoa belt-wide farmers organisation in the form of the Gold Coast and Ashanti Cocoa Federation (G.C. & A.C.F) in September 1930.

Chiefly support made it possible for the protests to be strengthened by devices such as the suspension of actions for debt against farmers before the native tribunals and



restraint of potential defectors using physical and ideological instruments of chiefly coercion such as the swearing of oaths and the beating of the chief's gong gong announcing the prohibition of cocoa sales. Throughout the cocoa belt chiefs' oaths and native tribunal were used to enforce the hold-up. Extracts from district reports for the last quarter of 1930 indicated that people were fined before native tribunals for attempting to break the hold-up or boycott of imported goods<sup>19</sup>. The defection of the chiefs, under the pressure from the central government, was one of the factors that unravelled the protests. Another factor that undermined the protests was the hostility of those brokers whose interests were threatened at three levels. a) it interfered with their means of livelihood, b) they had advances out with farmers and stood to lose from a price rise, and c) in the long term the drive for direct exports would put them out of business altogether. Within the communities the brokers put pressure on small farmers who were indebted to them to sell and also confronted the farmer-traders who led the movement (Rhodie, 1968; Southall, 1975, 340; 1978; Miles, 1977). Thus the hold-up failed to achieve its aim of forcing a rise in the price.

The disclosure of the 1937 Buying Agreement also coincided with a fall in the price of cocoa. When news of the Agreement reached the Gold Coast in October 1937, the reaction of the peasantry and the cocoa petty bourgeoisie was swift and complete. An unprecedented hold up of cocoa and boycott of non-essential imported consumption commodities unprecedented in its length, breadth and depth was organised. It lasted from October 1937 till April 1938 when the government-appointed Nowell Commission negotiated a truce. They were sympathy strikes and protests by market

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<sup>19</sup>See GNA SNA 1230/31: "Abuse of Oath System by Native Rulers".

traders, surf-boat workers and lorry drivers. Again the chiefs and their institutions lent their support, this time with more determination and for the duration of the protest (Miles,1977,297). More significantly brokers strongly targeted by the Agreement lined up alongside the farmers (Howard,1976; Southall,1978). The G.C. & A.C.F. played an important role in the mobilisation. Initially the call was for a rescission of the Agreement and an increase in cocoa prices. Increasingly the movement took on the colour of a national movement against foreign domination - the issue of prices increasingly became relatively less important than a more fundamental hostility to the merchant firms. The ending of the hold up was economically disastrous for most farmers as cocoa flooded the market. From 10/- a load in March the cocoa price fell to 5/- in June and 3/- in August which meant that after transportation and other costs are deducted farmers in remote villages got 1 shilling per load! (Southall,1975,453).

#### **4.3.3. State, Law and the Crises**

In the Gold Coast the central government opposed the 1930 hold up with a combination of legal and political instruments which were held together by a proclaimed concern with "law and order". The formal position was that the Government could not take part in a controversy over what was a "fair price" and its main function was to see to it that "law and order" were maintained and liberty of the citizen is not interfered with<sup>20</sup>. This concern with "law and order" was expressed in the form of threatening chiefs who used their institutions to enforce the protest and prosecuting those who tried to stop sales of cocoa on charges of assault or restraint of

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<sup>20</sup> See speech by Governor Slater to Legislative Council on 4 December 1930, quoted in Seidman (1973,568).

trade and offering police protection to brokers who sought to defy chiefs' oaths against sales.

The political pressure on chiefs which led to their withdrawing support of the hold up was cast in legal terms. In his already mentioned speech to the Legislative Council the Governor argued that the native tribunals had no jurisdiction under the Native Administrative Ordinance to enforce the protest with fines. The abuse of jurisdiction was also "an interference with legitimate trade which no Government in a British colony can tolerate". He then warned that

if despite this remonstrance this interference with the liberty of the subject continues, the Government... will feel obliged and will not hesitate to assert its supreme authority and legislate so as to make it a punishable offence for any chief, whether by way of a claim to make an order under the Native Administration Ordinance or in fulfilment of a stool oath or any other ground whatsoever, to prohibit any person from buying or selling any article from or to any other person on any terms upon which the parties agree.

Although no change was made in the Native Administrative Ordinance the criminal law was used against smaller chiefs. In February 1931 the Supreme Court, presided over by Chief Justice Deane upheld the conviction, by a District Commissioner Court, of a village chief, Asare Panyin, on a charge of assaulting some cocoa carriers against whom he tried to enforce an Omanhene's (head chief) prohibition of cocoa sales. The decision was important on a number of grounds, including constitutional ones. Asare Panyin's claim that a) all in the community were bound by the chiefs oath not to sell and that b) he acted on the superior orders was rejected and the case was dealt with wholly under the Criminal Code. Applying the repugnancy clause of the Supreme



Court Ordinance the Court held that the swearing of a chief's oath was not a lawful way of legislating. It also refused to recognise the defence of superior orders<sup>21</sup>.

The conviction of Asare Panyin was the judicial component of the central government's response to the threat chiefly support for the protests posed to the coherence of the colonial state. The hold-ups tugged at the tension between the chiefs' legitimacy, rooted among protesters, and their political subordination to the colonial power. The lamentations of the Birim district commissioner about the failure of persons, tried by native courts for breaking the boycott, to appeal against their sentences unintentionally underlined the importance of indirect rule as a base of the colonial state. He reported that

fines had been inflicted on some buyers but it has been impossible to take action as the complainants have neglected the only form of remedy open to them and refused to appeal against the judgement. Fining for both offences [selling cocoa or buying imported goods] has now ceased *but the power of the Oath is sufficient to restrain farmers from bringing in their cocoa* (emphasis added)<sup>22</sup>.

In the eyes of the majority of rural people chiefs still retained the full complement of state power. The protest therefore did not simply test the legitimacy of chiefs but through that the very legitimacy of the colonial state with its precarious base in indirect rule. This point was starkly underlined by the momentous 1937-38 cocoa hold up and goods boycott.

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<sup>21</sup> GNA SNA 1230/31: Abuse of Oath System by Native Rulers.

<sup>22</sup> Birim District Quarterly Report, December 1930, in GNA SNA 1230/31: "Abuse of Oath System by Native Rulers.

The 1937-38 hold-up was marked by differences between the Gold Coast administration and the Colonial Office in London about the handling of the crisis. The Colonial Office, which had approved the Agreement without seeing it, took an obviously pro-Agreement line while the government with a greater sense of the unprecedented crisis on its hand was concerned to maintain an appearance of being even handed. Early in the protest the Secretary of State for the Colonies instructed the Governor to advise the farmers to sell. While appreciating the difficulty of the Governor's task he could see no alternative since the buying companies could not "be expected to make concessions which would involve them in substantial losses". Government sponsored meetings for representatives of the firms to explain the Agreement to chiefs and farmers representatives were counter-productive.

As the crisis deepened the Colonial Office began to talk of "communist agitators" being involved. The attitude of the political officers in the colony was summarised in a memo addressed to the Governor by the Chief Commissioner for Ashanti:

The theory of our West African Administration is that we are trustees for the people; surely we cannot remain passive in a matter which so closely affects the welfare of the people... our repeated cry to the Secretary of State should be 'The Agreement must go'... if the farmers are defeated by economic pressure and the Government remains inactive the results will be far reaching and disastrous (quoted in Miles, 1977, 279).

The Nowell Commission, the appointment of which broke the deadlock in the dispute also recognised that the conflict went beyond private legal rights of buyers and sellers:

The firms were acting within their legal rights in making the Agreements. Equally the producers were acting within their rights in refusing to sell on the terms laid down and in combining to give effect to their policy. The clash of these incompatible views brought the trade of the Gold Coast almost to a standstill, and cut off the main sources of Government revenue. *The question then became one of public policy* (emphasis added) (Nowell, 1938, 151)

The Nowell Commission was set up in February 1938 "in the hope that the producers may thereby be induced to resume the marketing of their crop". By April it had negotiated a truce based on: a) Suspension of the Agreement till the start of the next season, i.e. October 1938; b) Suspension of the boycott and hold up till the same date; c) Official regulation of cocoa exports in the truce period, monthly exports being limited to 60,000 tons per month, and d) Allocation of buying and export quotas to firms based on past performance. The truce became effective on 28th April 1938 with the passage of the Cocoa (Control of Exportation) Ordinance (No. 21 1938) which created the legal framework for the implementation of the terms of the truce. The Export Regulations (Order No. 58, 1938) was effectively an implementation by legislation of the 1937 Buying Agreement. The firms effectively dictated its contents under threat of rejecting the truce proposals; the attempts of Governor Hodson to resist some of the more outrageous demands of the firms were sharply rebuked by the Colonial Secretary. He felt it would be unwise to resist the companies' wishes, such resistance would be prejudicial to their acceptance of the truce.

#### **4.4. Towards the Cocoa Marketing Board**

Despite the fundamental conflict between farmers and merchants which underlaid the 1937 hold-up, both the Agreement and hold-up were rooted in a shared viewpoint of farmers and buying firms, albeit with differing foundations and objectives, that the existing relations of exchange had to be radically transformed. The core of the Nowell Commission recommendations was for the establishment of an association of producers for the "collective marketing of their produce and for the representative of their joint



interest". All cocoa farmers were to be constituted members of a 'Cocoa Farmers Association' under an Ordinance implementing the proposals. "The main functions of the Association would be to represent the interests of producers and to assemble and sell on their behalf the entire cocoa crop of the Gold Coast". The operation of the proposed scheme was to be governed by a Board "including African representatives, officials representatives (one of whom would act as chairman) and possibly one or two independent co-opted members" (Nowell,1938,159-168). The scheme as the Commission noted was based on the most advanced form of organisation of capitalist farmers in Britain and the Dominions (Nowell,1938,158). Based on the Report committees were set up to put forward proposals for implementing the recommendations. These were dominated by merchants and Government officials - the Ashanti Committee included the local manager of the UAC. The Gold Coast Committee in which the Director of Agriculture was an enthusiastic supporter of the Nowell recommendations drafted a well argued, detailed scheme.

The Nowell Commission's recommendations favoured the interests of the cocoa farmers. They met with the disapproval of the merchant firms who considered the scheme as intended to create a farmers/sellers' monopoly. The colonial state also opposed it, fearing that the power to exert speculative pressure on the international market would be placed in the hands of organised African farmers. The proposals met a mixed response from the social groups who had been involved in the hold up. The big peasantry were enthusiastic about the recommendations - it created possibilities for their development and transformation. The brokers felt threatened. The small peasantry, dependent on brokers advances, feared the implications of their elimination

and furthermore feared domination by the big peasantry. Some of the farmers saw the proposed scheme as a larger version of the disliked co-operatives.

These contradictory reactions gave the State the chance to drive its own wedge in. The Governor made the basic objection of the State clear in a minute on the Report of the Gold Coast Committee on the Nowell Report:

The merchant firms had played an important role in the development of the country and I should hesitate take any steps which might result in their interests being adversely affected (quoted in Miles, 1977, 358).

Hodson suggested as an alternative that things carry on as before and the slow voluntary development of co-operatives being encouraged meanwhile. The outbreak of war rendered any involved subterfuge unnecessary. With the war the State evoked its emergency powers and continued the system established under the Cocoa (Control of Exportation) Ordinance with minor changes. These were the introduction of a very low minimum price for the producers and the State guaranteeing firms involved in buying cocoa a profit by undertaking to buy all cocoa off their hands and paying them a 'commission'. In defence of the continuation of the quota system it was unconvincingly argued that:

the (Control) Board has been obliged to set its face against completely new entrants into the trade, since once an exception is made it would have been virtually impossible to discriminate between the very numerous actual and potential claimants. Trade conditions under control are moreover, so radically different from those of normal times that the ability to handle a quota under control would be no guide to the ability to survive in competitive conditions (Report on Cocoa Control, para. 24).

The Control Scheme was transformed into the Cocoa Marketing Board after the War. The system of minimum prices stabilised the conditions of the producers at a very low level; the Control Board made a profit of over £3 million. It ushered in the role of

the marketing board as a mechanism for the State's appropriation of a large slice of the value created by the cocoa peasantry, a role that continued into the post-colonial period (Beckman, 1976).



## CHAPTER FIVE

### State Regulation of Production

This chapter discusses the efforts of the colonial state to regulate and control the production process of the cocoa peasantry. The discussion will show that the struggles and contradictions that existed in the sphere of exchange were mirrored in the sphere of production. Here the primary issue was the quality of the crop that the peasant brought to the market with industrial capital the most directly interested fraction of capital. Unlike the sphere of circulation where there was a direct confrontation between capital and the peasantry with the state in a secondary role, here the state has a more forward and explicit mediating role. The most important institution of the State in this exercise was the Department of Agriculture.

From its earliest years the Department of Agriculture combined the distribution of cocoa seeds and seedlings with 'instructional and demonstrational work' about the minimum conditions for its successful cultivation of the crop. In the period from 1905 'four themes predominate: production techniques, disease control, the quality of cocoa and the degree of specialisation on farms' (Green and Hymer, 1966, 308). From 1911 a shift of emphasis took place in the Department's work<sup>1</sup>. The stress henceforth was on two things - enforcing certain minimum cultivation standards and securing improvements in the quality of cocoa (Tudhope, 1918 in Kay, 1972, 242). With the onset of international crisis in the late 1920s and in the face of escalating peasant

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<sup>1</sup>Department of Agriculture Report, 1911.

resistance to and struggle against capital's domination the strategy of the Department changed. A great amount of energy and time was devoted to attempts at fostering and controlling producers' co-operatives as the means of achieving the two mentioned aims whilst at the same time defusing the struggle between the peasants and capital.

### **5.1 PRODUCTION TECHNIQUES AND FARM MAINTENANCE**

Prior to the development of mainland West African, particularly Gold Coast, cocoa production, Latin America accounted for 80% of the world's output. Latin American production was plantation-based and employed relatively intensive agricultural methods. The intensive cultural techniques were partly due to ecological and climatic factors and partly due to the relations of production. Thus Latin American cocoa in addition to having a fair proportion of 'fine' cocoa was of a generally high quality (Gunnarson,1978,6; Shepard,1936). The organisation of production and cultivation methods in the Gold Coast and most of mainland West Africa was markedly different.

In the Gold Coast cultivation methods were an adaptation of traditional cultural practices which "economized on labour which was scarce and not on land which was plentiful" (Green and Hymer,1966,308). Cocoa seedlings are planted together with food crops such as plantain and cocoyams as cover plants, shade being important for healthy growth of young cocoa. In Latin America shade trees are planted instead of food crops. The Gold Coast cocoa farmer without waiting for a cocoa farm to come into bearing embarked on the cultivation of a new cocoa/food farm, taking several food crop harvests from the farms before leaving them solely to cocoa. The cultivation of food crops however continued alongside cocoa farming. Most of the

cocoa grown in the Gold Coast in that period took about 7-10 years to come into bearing. This attitude of the cocoa peasants evoked Department of Agriculture criticisms of the farmers for treating cocoa production as a 'secondary occupation' and employing "primitive", "unscientific" methods of shifting cultivation<sup>2</sup>.

The Annual Reports of the Department of Agriculture throughout the first four decades of this century are strewn with laments about the peasants' neglect to maintain farms, keep them clear of pests and fungal growths, etc. Officials moaned that cocoa production was developing without the "necessary" regulation (Tudhope, 1918, in Kay, 1972, 241). The Department of Agriculture was of the view that intensive cultivation of the Latin American and Caribbean type were best for cocoa. It also thought the farmers cultivated more cocoa than they could care for adequately. To the Department it seemed clear that the farmers' use of less careful techniques was due to "shortsightedness, ignorance and or single-minded search for the attainment of the maximum amount of money with the minimum expenditure of energy, however uneconomical (*sic*) the system"<sup>3</sup>. One would have expected admiration for this eminently bourgeois ethic!

Various strategies were brought to bear on the "problem" by the Colonial State. As part of its 'instructional and demonstrational' work of the Department of Agriculture, travelling and local instructors toured the cocoa growing areas trying to impart the

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<sup>2</sup> Department of Agriculture Report, 1921; Memo on Work and Organisation of the Department of Agriculture, 13/6/1935, page 6 in GNA CSO 268 35.

<sup>3</sup> Department of Agriculture Report, 1917.



Department's conception of efficient, "scientific" cocoa farming and beans preparation. By 1911 over 400 farms scattered throughout the cocoa belt had been designated 'model farms' by the Department<sup>4</sup>. These farms, usually owned by the chief, headman or a local big peasant were to be the laboratories of the agricultural officers and object examples to the local cocoa farmer. Chiefs played an important mobilising role assembling their subjects to hear out or watch the agricultural officers' demonstrations or instructions.

This work was backed with penal legislation and until passage of the Pests Ordinance in 1923 Chiefs were responsible for enforcing the criminal sanctions. The first cultivation penal laws drawn up by the Department of Agriculture were passed in 1910 as Chiefs' by-laws under the 1883 Native Jurisdiction Ordinance and were adopted by the chiefs of sixteen divisions. Under the by-laws any person who failed to remove dead wood, empty or diseased cocoa pods from his farm and destroy them by burying or burning, or to report to his chief the existence of any disease on his farm, or who abandoned a cocoa farm without notice to his chief was liable to a £5 fine. The same penalty was suffered by anyone who "wilfully" destroyed or failed to carry out after notice, instructions issued by a chief, as advised by an authorised officer of the Agricultural Department, for dealing with diseases among cocoa trees. This was a severe penalty considering that around 1910 farmers in Kwahu were paid 5s per 60lb load of cocoa by the merchants.

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<sup>4</sup> Department of Agriculture Report, 1912.

There was a distinct lack of enthusiasm on the part of the farmers towards the efforts of the Department, making the work of the woefully small and inadequate staff of agricultural officers even more difficult. Although the chiefs had no problems, according to the Department, assembling farmers for 'instructions' and 'demonstrations' that was as far as it went. Once the agricultural officer left a village the farmers generally carried on as before. This is not to say that the farmers were totally uninterested in new technology; they were for example interested in the control of insect pests but a fair bit of the Department's scientific practices conflicted with their own practical experiences. The so called 'model farms' were not cultivated by their owners in accordance with the Department's guidelines.

The introduction of indigenous instructors in 1913, two persons selected from each Native jurisdiction division and trained by the Agricultural Department to be resident experts was an attempt to cope with the problem of discontinuous supervision of the peasantry. The local instructors like their intended pupils found the additional labour required by the Department's guidelines irrational in terms of their economic calculation. They also 'neglected' their farms! The bye-laws were not enforced by chiefs. By 1916 the attempts to discipline the cocoa peasantry based on a combination of instruction and demonstration backed by penal legislation were acknowledged to have failed (Department of Agriculture Report, 1915). The 1919 Cocoa Industry Committee claimed that the Director of Agriculture "was unable to quote a single

instance of an effective and forcible application" of the widely adopted cultivation by-laws<sup>5</sup>.

The slump in cocoa production and prices during the First World War period, particularly the severe crisis caused by the shortage of shipping space in 1917-18, starkly exposed the severe limitations of the existing strategy for influencing the peasant's production process in the interest of capital. Under the operative regime agricultural officers did not have formal legal powers to enforce the practices they advised or to punish non-compliance with or infraction of their instructions. Through the war years the Department sought legislation empowering it, among others, to a) require certain standards of maintenance for farms and to fine owners who allowed their farms to fall below these standards, and b) halt further planting of cocoa if this was deemed necessary. As early as 1916 the general impact of the war induced crisis had pushed the Department to ask for powers to be given to "European officers in the Agricultural Department to enforce legislation in matters of farm sanitation" (Tudhope, 1915 in Kay, 1972, 238). In 1918 with thousands of cocoa farms abandoned or unattended, the Director of Agriculture expressed grave doubts about the maintenance of farms without some compulsion (Department of Agriculture Report, 1918).

Other state officials were more sensitive to the political dangers of a frontal attempt to discipline the peasantry. In 1915 the Commissioner of the Eastern Province

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<sup>5</sup> Report of Committee appointed by acting Governor on 6/6/1919 to consider the condition of the Cocoa Industry, in GNA/ADM/11/1 876.



expressed fear that the proposed law would "result not in improving cultivation but in bringing the Department of Agriculture into collision with the native population and thereby impair its usefulness" (Quoted in Kay,1972,239)<sup>6</sup>. Supporting this view the Governor, Sir Hugh Clifford, described the proposals of the Department of Agriculture as "somewhat primitive" and which would not "only fail in their intended effect but would prove highly injurious". He pointedly noted that there were political considerations without the province of the Director of Agriculture, which the latter cannot be expected to take into account, but which the Government cannot to afford or neglect". Clifford also thought the practical problems of effective policing and enforcement would be immense, given the widespread nature of the practices aimed at and the inadequacy of the Department's staff. In the circumstances the Governor took the view that it was not possible to pass

a law which will be of any practical effect, or which, if the attempt is made to apply it forthwith to all cocoa farmers, would not be at once capricious and oppressive in its operations<sup>7</sup>.

The fears of the political officers of the colonial government about the dangers posed by the kind of legislation sought by the Department of Agriculture were justified. From the producers' view point there was absolutely no reason to continue producing cocoa let alone to maintain farms up to the Department's standards. Most cocoa could not be sold because of a shipping crisis caused by the ongoing World War. A regulatory Ordinance drafted in 1916 was dropped in the face of strong indigenous opposition in the legislative Council and the Governor's reservations. The Department

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<sup>6</sup> The quotations in the following discussion of the internal government debate are all from Kay (1972,238-246).

<sup>7</sup> Legislative Council Debates, 1916-17, p. 82, quoted in Kay (1972,146).

of Agriculture was forced to continue with its old strategy, trying as much as possible to increase the coercive political element. It was realised that agricultural officers accompanied by a District Commissioner - the most visible symbol of the State's power being law maker, judge and executioner in the countryside - were more effective. As often as possible this coupling was effected<sup>8</sup>

The passage of the Plants (Injurious Pests) Ordinance, 1923 (No. 37 of 1923) secured for the Department of Agriculture some of the powers it had sought during the First World War period. Under the law, the occupier of a "declared plant" farm (cocoa was "declared") was under a duty upon pain of a £25 fine or three months imprisonment to apply treatment prescribed by an agricultural officer for the eradication of an "injurious pest" i.e. disease, pest, fungus, parasite, insect or animal. The Ordinance brought together the threads of "instruction and demonstration" and their coercive enforcement into the hands of the Department. The law was passed in the face of considerable indigenous opposition. Resolutions against the Bill were passed by among others the Gold Coast Farmers Association. The law was opposed by chiefs in the Eastern, Western and Central Provinces, though Ashanti chiefs were reported to have supported it. In the Legislative Council debate Nana Ofori Atta I and J.E. Casely Hayford emphasised the link between the price paid the farmer and quality of cocoa<sup>9</sup>. Interestingly, a counterpart Bill designed to regulate the local cocoa trade

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<sup>8</sup> Department of Agriculture Report 1921, Appendix D.

<sup>9</sup> Legislative Council Debates, 1923. The Plants (Injurious Pests) Ordinance enacted some of the recommendations of the 1919 Cocoa Industry Committee appointed by the Governor. Ofori Atta and the other Ghanaian member of the Committee were the only persons who opposed its recommendation for legislation of along the lines of the Ordinance, arguing that peaceful persuasion continue for sometime (See Report of Cocoa Industry Committee in GNA/ADM 11/1/876).

which was favoured by farmers' representatives died in the face of opposition from the merchant firms (Southall,1975,262).

Though the enforcement of the Ordinance aroused some opposition among farmers it did not generate great resentment due to the fact that it failed to have any great impact mainly because of the practical problems of policing tens of thousands of small, scattered inaccessible farms. This problem was exacerbated by the manner in which the law was to operate: a farmer must have been given specific individual instructions by an agricultural officer before the penal provisions became applicable. The Plant, Pest and Disease Ordinance 1937 removed the requirement that a farmer must have been specifically instructed to become liable under the law. Whilst replicating many provisions of the 1923 Ordinance it considerably widened the powers of the State. The Governor could make regulations declaring the application and enforcement of specified production techniques and disease control measures in a stated geographical area. The only required form of the State's intervention became that of checking compliance with the generally applicable regulation. Under the first set of regulations issued under the Ordinance - "Cocoa Farm Rejuvenation Regulations" - occupiers of cocoa farms in New Juaben, Akim Abuakwa, Yilo Krobo, Manya Krobo and Akuapim (in effect all cocoa farms in the Eastern Province) covering several hundred thousand acres, were to adopt and apply treatment prescribed for "Drought Dieback of Cocoa" by the Director of Agriculture in a Gazette notice.

Under the 1937 Ordinance an agricultural inspector could give an occupier instructions in respect of matters not connected to the protection of his farm - something in the



nature of abating a nuisance. The inspector could also order the destruction of crops, compensation in respect of which lay in the "sole unfettered discretion of the Governor". Breach of any provisions of the statute or regulations under it or failure to obey the orders of an agricultural inspector carried a penalty of a £25 fine or one month's jail sentence. The application of the powers created under the 1937 legislation to "ordinary" issues of farm maintenance never became widespread. In fact the amendment of the 1924 Ordinance was triggered by the discovery of the deadly swollen shoot disease in 1936. The memorandum on the Bill explained that the amendment of the 1924 ordinance had "become a matter of urgency owing to the spread of swollen shoot"<sup>10</sup>. The disease was to cause widespread devastation, resulting in the destruction or cutting out of a couple of hundred million cocoa trees resulting in a dramatic change in the topography of cocoa cultivation within the space of ten years (Austin, 1970, 59-66).

The impression left by all the above efforts to control the cocoa peasantry is that they were only partially successful at best. In 1935 the then Director of Agriculture admitted that his Department had never been in a position to "apply any ameliorative measures" to the perceived defective cultural practices of the cocoa farmers.

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<sup>10</sup> GNA 682/33 sfl.

He acknowledged that

at no time during the growth of the [cocoa] industry has it been possible to carry out instructional work on a scale extensive enough to reach each individual farmer or even any considerable number of individual farmers<sup>11</sup>.

Apart from the inadequacy of staff to undertake the large scale policing necessary for success, the cocoa peasantry resisted these intervention. Some of the proposed practices conflicted with their own practical experiences; they did not see any benefit accruing from the additional labour the adoption of most of the practices would have entailed. Studies have shown that some of the practices that the Department of Agriculture desired cocoa producers to adopt were misconceived and based on inadequate research into local climatic and ecological factors and conditions (Green and Hymer, 1966). These specific shortcomings of the Department's policies and its refusal to learn from the practical experiences of peasants have been characterised by some writers as another instance of the patronising posture of 'experts', in the instant case overlaid with the racist ideology of colonialism (Green and Hymer, 1966, 312; Kay, 1972, 238).

The criticisms made by Green, Hymer and Kay have an important flaw. In seeking to show that it was the "agricultural experts" rather than the peasants who were ignorant they fail to advert to the larger determinants of the colonial state's attempts to discipline the cocoa peasantry. Where there is an advertence, the explanation of the State's motivation is inadequate. Green and Hymer (1966, 319) after examining the

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<sup>11</sup> Auchinleck to Colonial Secretary, 13 6 35 - Memo on Work and Organisation of Department of Agriculture, GNA CSO/268/35.

relationship between the cocoa peasantry and the Department of Agriculture concluded that

in terms of economic rationality and of relevant technical and institutional knowledge and adaptability, the Gold Coast cocoa farmers, despite very real limitations had significantly better records than the Gold Coast Department of Agriculture throughout the period 1890 - 1940.

Kay on his part accused the Department of Agriculture of starting "a crusade" against the cocoa industry from 1910 and the colonial government of "systematic opposition to the progress of the cocoa industry over a period of forty years" (Kay,1972,241). Kay's conclusion like Green and Hymer's is premised on a narrow focusing on the specific contents of the Department of Agriculture's policies and wrongly assuming that the cocoa peasantry and the Department of Agriculture share a common notion of "economic rationality".

Whilst specific elements of the Department of Agriculture's cocoa cultivation standards may have been misconceived the Department of Agriculture's concerns reflected the anxieties of industrial users of cocoa (See Tudhope,1918 in Kay,1972,242). It collaborated closely with Cadbury's. The firm was an active supporter of government organised farm maintenance competitions, often donating prizes. Cadbury's set up a 'model farm' in the heart of the cocoa belt in 1909 to serve as an object example of proper production. Governor John Rodger personally intervened to help Cadbury's secure land for the model farm (Southall,1975,81). The experiment folded up in 1912 the costs of 'scientific farming' being extremely high compared to peasant farming. The interests the Department of Agriculture represented help to explain the apparently irrational political timing of the Department's attempts to intensify the labour of the peasantry in periods when they had the least incentive



to maintain or increase production, such as during the First World War. From the perspective of industrial capital this is perfectly rational. About this same time cocoa manufacturers in Britain were lobbying hard for the introduction of minimum prices to ensure continued production by Gold Coast farmers (Southall, 1975, 514).

For the cocoa peasantry the period of deterioration provoked the strongest desire to move out of cocoa production. For example during the Depression years the Department of Agriculture remarked the increased cultivation of food crops<sup>12</sup>. For industrial capital however this is precisely when the greatest pressure must be exerted on the producer to remain in cocoa production. The moments of shrillest complaining about farmers practices by the Department of Agriculture and its most aggressive interventions coincided with the phases of depression or decline in the cocoa industry identified by Gunnarson (1978, 87-91). These were 1915-22 and 1928-43. It was in the first period that the draft Disease Prevention Bill of 1916 was tabled and the tightening of the administration of the Pests Ordinance in 1928 and the introduction of the Plant Pest and Disease Ordinance in 1937 occurred in the second. The contradiction between the peasantry and industrial capital and the local political effects of this will explain why the draft 1916 Bill got passed in a truncated form in 1924 when the relative buoyancy of the cocoa industry created more favourable local political conditions.

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<sup>12</sup> Department of Agriculture Report, 1931/32.

## 5.2 STATE AND CROP QUALITY

Chocolate manufacturers preferred evenly fermented and dried cocoa. Depending on its botanical variety and climatic conditions cocoa should be fermented for between two and nine days, too short or too long fermentation period is undesirable. The manufacturers did not like under fermented cocoa because "it does not roast well, is difficult to shell and causes difficulties in grinding and produces a 'mass' with an acid and unpleasant flavour" (Shepard, 1936, 89). According to the Imperial Economic Committee (1932, 46)

Both under fermentation and over fermentation seriously affects the value of the product. Adequate fermentation ensures a more thorough drying and also has a beneficial effect on the inside of the bean which besides assuming a desirable cinnamon colour, is rendered less acrid. Adequately and under fermented beans are not clearly distinguishable, constituting a continuous rather than distinct series. Preparation of adequately fermented cocoa involves a careful time and labour consuming process (22nd Rep, para. 43-46).

Adequate fermentation does not however depend solely on treatment at just the right time - insufficiently ripe cocoa produces under fermented beans.

Gold Coast cocoa was mainly of the varieties known in the industry as "bulk" cocoa, which because of its nature gave a generally inferior quality, industrially less desirable commodity. In the early years of the Gold Coast cocoa industry, cocoa was generally sold 'wet' i.e. unfermented and relatively un-dried by the farmers. Although the merchants dried and reconditioned the beans before export the product was generally inferior and under-fermented. The Department of Agriculture remarked on the low quality of the crop in its 1906 Report. In 1913 a director of Cadbury's told the West African Lands Committee that in 1908 only 5% of Gold Coast cocoa could be considered good, 15% was fair with 80% bad. According to William Cadbury

standards improved in succeeding years such that in 1912 35% of the cocoa was good, 50% fair and only 15% was bad<sup>13</sup>. Cadbury's was an active supporter of the colonial State's efforts to secure improvements in crop quality. In the period before the First World War the firm's employees undertook 'instructional' and 'demonstration' work among cocoa farmers<sup>14</sup>. The 1908 Department of Agriculture Report credited one of these employees with the introduction of fermentation culture to Manya Krobo.

At the domestic level two features of the cocoa trade had a negative effect on the quality of cocoa beans. These were the system of advances to farmers and frequent price fluctuations within the buying season. The payment of advances meant the farmer was paid for cocoa even before he prepared it for "sale" and the advance price was usually less than the market price. In this situation there was little incentive to make the exertion to produce a high quality product. Brokers who gave out advances and were under a duty to deliver a stipulated quality of cocoa to the merchant usually tried to protect themselves against possible losses due to poor quality, by short-weighting the farmer's crop. It was alleged before the Nowell Commission (1938,35) that 20% of cocoa was short-weighted by brokers. As indicated in the preceding chapter the system of advances was an important tool in the competitive struggle among the buying firms. So long as this competition persisted and there was a market for the bulk of Gold Coast cocoa there was little chance of merchant capital acting in

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<sup>13</sup> Minutes of West African Lands Committee (1916,376).

<sup>14</sup> Department of Agriculture Reports, 1910-1916.



a manner that induced or forced the producers to improve the quality of cocoa (Nowell,1938,36).

The quality of cocoa was also negatively affected by both upward and downward price movements. At times of high international prices the quality of cocoa tended to fall as the exporting firms scrambled to profit from the rising prices. The producers, also under the stimulus of rising prices and under pressure from brokers who had made advances to them, sold inadequately prepared cocoa or picked insufficiently ripe cocoa for preparation, both resulting in industrially undesirable under-fermented beans. Price depressions on the other hand reduced the farmer's incentive to exert himself in the preparation of the crop, ruling prices being inadequate remuneration for more than a certain expenditure of labour power (22nd Report).

#### **5.2.1. Controlling Quality:1910-1927**

The state was in favour of quality improvements but the effectiveness of any political and legal intervention on the issue depended on those directly involved in the cocoa industry, i.e the producers and buyers. Improvements in quality would involve an intensification of the labour of the producers, short of being coerced, they must feel the additional labour worth their while - reflected in the prices they receive. The crucial link between industrial capital and the dispersed cocoa peasantry was constituted by merchant capital. The enforcement of industrial capital's quality standards therefore necessarily required support or compliance of the merchant in remunerating the producer's additional labour or denying inferior quality cocoa a market.

For the merchant any cocoa which was marketable was "good" cocoa. On the international market cocoa was sold under several quality grades for different uses although some types or grades were generally preferable. Despite complaints about the general quality of Gold Coast cocoa the vast bulk of it was useful in one way or the other. Butter from unfermented cocoa for instance was used in chocolate manufacture although the manufacturers generally preferred fermented cocoa. To gain the higher prices higher quality cocoa attracted the merchant firms reconditioned and re-bagged cocoa before sale. They claimed that the low general quality, with good quality cocoa appearing irregularly and sporadically, made the payment of differential prices impracticable. This in the face of the counter argument that the absence of differential prices impeded a general improvement in quality. The merchant firms basically had no compelling reason to exert pressure on or induce producers to improve the general quality of cocoa.

Given the differing and conflicting "economic rationality" of farmer, merchant and manufacturer the options for raising the quality involved a choice about who was to benefit from or bear the cost of improving quality. Although government officials repeatedly inveighed against the merchants' "irresponsible" attitude towards quality early as 1910 the state indicated that it was not going to push merchant capital in the favoured direction. A government report on agriculture declared that

It is not within the scope of Government to compel the payment of a higher price for improved produce, which the merchant can get at the same figure, and however unfair or disastrous, combines, pools, et.c are, direct steps cannot be taken to abolish them<sup>15</sup>.

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<sup>15</sup> 5th Report on the Agricultural and Forest Products of the Gold Coast and Ashanti, 1910.

This free trade argument was however not extended to the producers. In the same year that the above pronouncement was made the colonial government issued by-laws under the Native Jurisdiction Ordinance to compel cocoa farmers to raise the quality of their cocoa on pain of a fine. The by-laws prohibited the sale and purchase of "wet or badly prepared cocoa or cocoa adulterated with any foreign matter whatever". Those found in breach before a native tribunal were liable to fines of up to 5s. per 60lbs load of cocoa. Ghanaian brokers were covered by the law but not Europeans traders since they were not subject to the jurisdiction of the native tribunals. This sanction backed a strategy of agricultural officers instructing and demonstrating the preparation of cocoa to farmers.

The effectiveness of the by-laws was blunted by the same factors that affected the cultivation and farm maintenance by-laws that were discussed earlier in the chapter. There was also the additional fact that the merchant firms did not pay a higher price for higher quality of cocoa. Again the staff of the Department of Agriculture without the support of the most important exporters or the co-operation of chiefs, were totally unequal to the task. This abortive attempt to coerce the peasantry into raising quality foreshadowed the schemes that the state eventually settled on as the most viable way of raising quality. As we show later in this chapter the two methods: the cooperatives and compulsory inspection and grading under the Cocoa Industry Regulation Ordinance, 1937, sought to intensify the labour of farmers without remuneration.

Officials of the Department of Agriculture also invested some hopes in two mechanisms of secondary importance. One of these was the establishment of



European owned cocoa plantations. There was an admission of the problems any such venture would face as regards acquiring land, labour and lack of transportation infrastructure (5th Report). However officials hoped that such ventures utilising "scientific" production methods would turn out high quality cocoa, serving as object lessons in more than one way to peasant farmers. Cadbury's disastrous 1909 -12 model farm was an effort within this fruitless logic. The establishment of Cadbury's Buying Agency in 1906 was seen by colonial officials as the other kind of self-help in which industrial capital could undertake. By competing directly with the merchant firms and offering the economic inducement of higher prices to farmers such direct buying would help raise quality standards.

By 1936 apart from Cadbury's, two other manufacturers, the Co-operative Wholesalers Society (CWS) and J. Lyons and Co. Ltd. had also established local buying agencies. The industrial firms tried as much as possible to create deep reaching buying organisations with their own quality-discerning employees in touch with the producer. Their vertical integration enabled them to secure their individual supplies of high quality cocoa. Cadbury's tried to encourage quality improvements by introducing a differential price system. Cadbury's had come to the Gold Coast full of optimism about its ability to undermine the 'pernicious' system of marketing which relying on brokers paying out advances and offering the farmer a generally low price threatened the maintenance of the Gold Coast as a source of raw material and also resulted in a low quality product from the farmer. By 1912 this optimism had quietly faded. The firm was forced to adopt some of the prevailing methods to maintain a foothold e.g.

brokers and payments of advances. Given the nature of production - on scattered small, partly inaccessible farms some reliance on brokers was unavoidable.

Despite having the sympathy of the colonial government the industrial buyers were too weak to exert a decisive influence on the local trade, particularly after the emergence of the UAC bloc in 1929. At the height of their collective strength, in 1936, the industrial firms bought 24% of the Gold Coast crop locally. The industrial firms' policy of paying more for high quality cocoa proved ineffective as a general inducement to improve quality. During price rises the largest merchant firms raised their flat prices to the level of the premium prices offered by the industrial firms, which then became the general price of cocoa. The weakness of industrial capital vis-a-vis merchant capital locally was illustrated by the industrial firms, with the exception of the CWS, joining the controversial 1937 Buying Agreement, despite professions of grave reservations about the aims of Agreement and having condemned such arrangements in the past.

### **5.2.2. Controlling quality:1927-1939**

Apart from the ineffective chief's bye-laws and the extension work of the Department of Agriculture the State made no other attempt to intervene on the quality issue until 1927. The government's 1927 intervention was provoked by developments in the American market which in 1926 consumed 38% of the world's cocoa output. In 1924 the cocoa quality standards under the U.S. Food and Drugs Act, which were applied by the New York Exchange the most important international cocoa market, were tightened. In the teeth of opposition from the New York Cocoa Exchange the U.S.

standards were progressively tightened in 1932 and 1933<sup>16</sup>. The tightening of U.S. standards had a reactive effect on all international transactions. Orders for cocoa usually sought guarantees that the commodity would pass the U.S. standards. The 1924 measures resulted in the rejection of several shipments of Gold Coast cocoa in 1925 and 1926. Under new regulations which became effective in October 1933 45,000 tons of Gold Coast exports in the 1930/31 season and 35,000 tons from the 1932/33 export would have been prohibited from the U.S. market<sup>17</sup>.

To comply with the new American standards merchant firms operating in the Gold Coast sent cocoa destined for the U.S. market to London for reconditioning, an expensive process. The situation led to a heightened concern, on the part of the Gold Coast government, about controlling quality and agreement among all the firms involved in buying cocoa in the Gold Coast that quality control measures were required. The discussions in the 1934 Cocoa Exportation Committee made up representatives of government, merchant and industrial firms, brokers and big cocoa farmers - reflected the conflicting interests<sup>18</sup>. Underlying the debate was the issue of who was to benefit from or be penalised under whatever scheme was introduced.

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<sup>16</sup> The decision of the U.S government to tighten the standards on quality of imported cocoa beans "in the interest of the consuming public and cocoa and chocolate industries" provoked a debate that was marked by divisions that mirrored the split between manufacturers and merchants in the Gold Coast over quality control. At a "Conference on Cocoa Beans" called in July 1931 by the U.S. Food and Drug Administration W.J. Kibbe, President of the New York Cocoa Exchange, outlined the opposition of the cocoa traders to the tightening up. On the other hand the Association of Cocoa and Chocolate Manufacturers of the U.S. declared that they heartily supported the proposals "for improving the quality of cocoa beans while the largest manufacturer, the Hershey Corporation said it "wholeheartedly support and endorse the moves to tighten standards". See GNA/1611/30.

<sup>17</sup> The Gold Coast Farmer, September 1933.

<sup>18</sup> GNA 20/34.



The merchants were opposed to any system of inspection and grading, considering it an unnecessary and intolerable interference with trade by the state. They argued that the Department of Agriculture should "concentrate its energy on instructing farmers in the fermentation and drying of cocoa, and should if necessary acquire legal powers to compel farmers to produce good cocoa". On the other hand if any inspection and grading scheme was to be introduced, it should be administered at the point of sale i.e. up country. For the merchants port inspection would involve the additional expense of having to employ specialist buyers something which, in their sympathetic view, would not be good for the farmer since this increased expense would be reflected in prices. Basically the merchants firms wanted the benefits of improvements without having to bear any of the costs or risks if they could help it. The way forward in their view would be to make the farmer wholly liable for all the costs and risks of low quality without any guarantee of benefits for a higher quality.

The big peasants/capitalist farmers on the Cocoa Exportation Committee wanted a system which would both reward producers of high quality cocoa and at the same time actively discourage or penalise the production of low quality cocoa. These farmers had been long time critics of the absence of different prices for higher quality cocoa. Unlike the small or middle peasantry for whom quality improvements involved an intensification of household labour and a related reduction on labour for other productive activities, the big peasant could improve the quality of his commodity by intensifying the labour of his employees very much in the manner of the plantation owners of Latin America.

The Department of Agriculture argued that without an economic incentive the farmer would not improve his crop. Any system to enforce quality standards therefore should make possible the differential rewarding of the farmer's additional labour. The Department urged the introduction of a system of compulsory inspection and grading at the ports of export. The merchant then assumed the risk of being penalised for buying low quality cocoa on the assumption that by paying a higher price he would induce improvements<sup>19</sup>. Port inspection would be easier and cheaper to administer and penalties more easily enforced. The Department's position was broadly supported by the industrial firms. They felt that up-country, i.e point of sale, inspection and grading favoured by the merchant firms and the big peasantry would have a negative effect on the producer. It would enable the buying firm or broker to reject inferior quality cocoa. Backed by the law and the coercive weight of the State he need not pay a higher price to induce improvements. The industrial firms with their quality conscious buying staff and brokers were fairly confident of not finding port inspection irksome. The brokers on their part also favoured port inspection because that shifts any penalties for buying poor grade cocoa unto the merchant rather than onto the broker as would be the case with up country inspection<sup>20</sup>.

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<sup>19</sup> Three years earlier the Director of Agriculture had argued to the West Africa Section of the London Chamber of Commerce that the farmers bitterly resented the absence of differential prices for quality and urged the need to look at the farmer's side of the story. "So long as buyers adhered to a one price system irrespective of quality, compulsory action by Government would be equivalent to binding the farmer hand and foot and delivering him to the buyers", he pointed out. See GNA/CSO 1611/30.

<sup>20</sup> Three years before the establishment of the Cocoa Exportation Committee there had been a vigorous exchange of views between the government and buying companies on the quality issue, a debate triggered by an expression of concern about the poor quality of West African cocoa the 2nd Conference of West Africa Agricultural Officers held in 1929. See GNA CSO 1611/30.

After an initial attempt by the state to devise a scheme that balanced these conflicting positions the schemes which were implemented from 1927 onwards highlighted the powerful local position of merchant capital. In that year after rejecting the State's proposals for a system of compulsory port inspection and grading, the exporting firms agreed to a scheme of voluntary inspection and certification at the ports. The State could not compel submission to inspection or prohibit the export of defective cocoa. The system had no effect on the general quality of cocoa. The Department of Agriculture however claimed that the scheme was useful to the merchant firms despite its practical and technical limitations<sup>21</sup>. Certificates issued by the Department formed the basis of insurance policies taken out by international buyers. It obviated the expensive process of sending cocoa destined for the U.S. market to London for reconditioning. The further tightening of U.S. standards in 1933 however forced the government to consider a change in the regime which favoured the merchants without bringing about any improvement in quality<sup>22</sup>. This was what led to the setting up of the Cocoa Exportation Committee.

Despite the already indicated differences within the Cocoa Exportation Committee it recommended legislation against the export of "highly defective" cocoa and laid down applicable standards subject to variation by the Governor. The Committee's recommendations were the basis of the 1934 Cocoa Industry Regulation Ordinance (No. 14 of 1934). The Ordinance provided for a system of port inspection and

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<sup>21</sup> GNA ACC 250/60.

<sup>22</sup> The tightening of U.S standards took place against a background of a world cocoa surplus of 75,000 tons so the issue of raising quality became entangled with how quality standards could be used as a mechanism for regulating supply. See British Memo on Cocoa Industry to World Monetary and Economic Conference, 1933 in GNA ADM 20/34.



prohibited the export of any cocoa that was not "commercially dry. with not more than 50 per cent slaty beans, or with not more than 20 per cent otherwise defective beans, or with not more than 10 per cent mouldy beans". This law remained in force for only three years before being replaced by the 1937 Cocoa Industry (Regulation) Ordinance No.14 of 1937). The replacement of the 1934 law followed criticism of the 1934 scheme by Shepard (1936,16-26) and recommendations by another imperial agricultural expert Frank Stockdale.

Shepard's principal criticism was that the 1934 scheme lacked teeth. Also the standards which were applied related to the purity and not quality of cocoa; purity and quality were not synonymous and the international market was interested in quality. According to Shepard the certificates issued under the system "failed to gain the confidence of the market because the methods of estimating purity are not identical with those employed by merchants, brokers and manufacturers". He considered the principal defect of the system to be purity being determined for consignments rather than individual bags of cocoa. Whilst this could form the basis of insurance policies for individual lots it could not enable cocoa to be "dealt with on the leading exchanges under recognised contract clauses". Because individual bags in a certified consignment might and usually varied in quality and consignments tend to be broken up unless specifically destined for an end user, the smooth speedy process of international circulation and exchange, involving 35% of the world's cocoa crop, would be impeded.

Shepard proposed an inspection and grading system applying standards which would enable cocoa to be exported in a form which facilitated international trade. He proposed a compulsory up country inspection and grading system. This, in his view, was less likely to interfere with business than port inspection and grading. The state was to have the power to prohibit the export of sub-standard cocoa. In view of this port inspection was disadvantageous to exporters since they would have to bear the loss resulting from a rejection or prohibition of export of sub-quality cocoa. Up country inspection on the other hand would enable the exporter to reject inferior cocoa or recondition it before taking it to the port. Quality (not purity) should pertain to the bag rather than the consignment of cocoa. Quality grades conforming to those used on the London, Liverpool and New York markets were to be applied.

The regime introduced under the Cocoa Industry Regulation Ordinance, 1937 was to be the operative inspection and grading system for the rest of the colonial period. The scheme heavily favoured capital against the cocoa peasantry. The fundamental considerations apart from the application and enforcement of international standards were the convenience of cocoa merchants and the avoidance of "hardship on shippers", with penalties falling on the producer. Despite proclamations in Shepard's Report of the importance of price inducements to the farmer in achieving quality improvements, the system he proposed rendered such inducement unnecessary. No differential prices ever became instituted. "The price penalty would encourage farmers to exercise greater care in curing. If the penalty fell on the farmer it would effectively stop the production of low purity cocoa", he argued. To be able to sell cocoa the producer had to comply with the official quality standards. The exporting firms had the option of

rejecting low quality or offering a very low price for it. Legally such cocoa could not be exported but the merchant could mix it with higher quality cocoa which though resulting in the lowering of the general quality would not render the whole unsaleable or un-exportable.

The regime of the 1937 Ordinance has to be understood within the context of the correlation of forces among the main contending parties in the quality debate and the capabilities of the colonial state. A regular supervision of the cocoa peasantry was beyond the administrative capability of the State. The Department of Agriculture's extension work backed by sanctions had achieved little for reasons detailed above. The levels of the politico-administrative structure with the practical potential to facilitate the Department's work, i.e the Chiefs felt this supervision to be politically dangerous. Once the dominant merchant firms had set their faces against bearing any of the costs involved in bringing about quality improvements be it by paying higher prices for higher quality cocoa or by risky penalisation for buying defective cocoa, the only possibility open to the State became how best to balance the interests of merchant and industrial capital; the interests of the peasantry became side-lined. Although the system coerced the producer to improve the quality of his commodity, it did not secure the total influence of capital's interests on his production process. Peasant resistance to the scheme took the form of mixing bad with good cocoa to enable the sale of all his output even if it fell within a lower quality grade. This became the Department of Agriculture's new cause for complaint.



### 5.3. THE CO-OPERATIVES' STRATEGY

The preceding discussion has tried to show how various factors, primarily the positions of merchant capital, frustrated the state's attempts to influence the peasant's production process so as to raise the quality of cocoa for the benefit of industrial capital. We have already argued that during the Depression years the state and industrial users of cocoa were concerned not only about the quality about also the continued supply of cocoa because of the fall in prices. From the late 1920s State organised co-operatives were increasingly seen by colonial officials as the most viable form of organisation through which the peasantry could be controlled for the attainment of various ends. In 1927 a Co-operative Societies Ordinance was drafted although it was not passed till 1931. As an institutional form cooperatives could facilitate the encouragement of both cocoa production and the improvement of quality. They offered the structural, administrative forms and rules which could overcome the specific impediments presented by the small, scattered operation of independent peasant producers, the inadequacy of administrative staff and the State's reluctance for various reasons to incur heavy expenditure in the process of intervening.

"Cooperation" and "cooperative" have elements which have a broad ideological appeal; both capitalist and non-capitalist societies exalt "cooperation" as advancing elements of their ideologies (Young,1981,3). The specific nature, role and operations of co-operatives are however determined by the framework of production and class relations within which they are located. Various studies have shown that cooperatives organised by Third World peasants are usually motivated by the desire to strengthen their

collective position vis-a-vis dominating classes or groups (Hyden,1970:Fitzpatrick & Southwood,1976,6; Long & Roberts,1978).

In the Gold Coast the first cocoa producers co-operatives, formed in the first decade of this century, aimed at escaping local domination by merchant capital by allowing members direct access to the international cocoa market. Although largely unable to achieve their principal aims, the important point is that these efforts manifested a challenge to a specific form of domination of peasant producers by foreign capital. The independent organisation of richer elements of the peasantry into a kind of 'peasant vanguard' had taken an important forward step with the formation of a national organisation - the Gold Coast and Ashanti Cocoa Federation (G.C. & A.C.F) in 1931. The organisation had as one of its prime objects the organisation of direct sales, by-passing the local merchant firms, on the international market. The following discussion will attempt to show how the colonial State under the ideological cloak of the 'value of co-operation' sought to control and intensify the labour of cocoa producers, primarily for the benefit of industrial capital, and its attempts to balance the political and economic contradictions the exercise entailed.

The scattered, small holder nature of production presented the most formidable obstacle to the assertion of the State's influence on the peasant's production process. The grouping of the producers into administratively controllable units would greatly ease the "problem". Under the 1931 Co-operative Societies Ordinance, a modified version of the relevant Mauritian law, a registrable society must have at least ten paid

up members<sup>23</sup>. The 1937 Co-operative Societies Ordinance, which replaced the 1931 law, elaborated the structure providing for an administrative and coordinating hierarchy of primary societies linked through joint marketing committees under District Unions<sup>24</sup>. This would rationalise control over the growing movement.

From the very beginning the stress was on organising producers to produce cocoa of a certain quality, marketed in a regulated manner, rather than on the provision of credit or any other role. Members were to be "encouraged in the exercise of thrift". From 1928 co-operative cocoa, unlike the rest of the crop was subject to a system of up country inspection by agricultural officers. A very high level of quality was attained, co-operative cocoa averaged a purity of 97% in the 1929-33 period, well above the 90% standard of the most stringent international standards. The average purity of the Gold Coast crop in the same period was 86% (Shepard, 1936,26; 22nd Report,para. 88). From 1937 members were placed under an obligation to sell all their cocoa through their societies, a joint store was operated for this purpose, facilitating the bulking of the commodity for sale.

The co-operative movement for various reasons failed to catch on throughout the colonial period. The principal reason for the unattractive nature of the co-operatives was the fact that despite the surfeit of official supervision, this attention was not aimed at marketing and even where there was an attempt the societies were unable to secure a sufficient remuneration for the members in respect of the additional labour entailed

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<sup>23</sup> Section 4, 1931 Ordinance; Department of Agriculture Report, 1931.

<sup>24</sup> Section 5, 1931 Ordinance, section 6, 1937 Ordinance.



in preparing cocoa of a high quality. The industrial firms, particularly Cadbury's were enthusiastic supporters of the State's co-operative efforts. Not so the merchant firms who were hostile to the whole exercise. The merchant firms defended the low premium they paid for cooperative cocoa with the argument that the additional labour which produced the very high quality of cocoa was unnecessary labour (Nowell,1938,44).

Colonial officials trumpeted the development of co-operatives as a step in the elimination of 'unnecessary stages in the marketing process', i.e the chain of middlemen. The bulking of cocoa by the cooperatives reduced the merchants reliance on the middlemen thereby saving costs. The industrial buyers also felt the middlemen had a pernicious influence on the quality of cocoa. The Department of Agriculture calculated a saving of at least £3 per ton resulting from the by-passing or elimination of the broker chain (22nd Report,para. 82). But the growth of the co-operative movement was a two edged blade for merchant capital. A strong organisation of the producers with a well developed marketing system represented a long term threat, the State's close attention notwithstanding. The intensified peasant struggle and resistance evidenced by the sporadic but increasingly determined hold ups of the 1920s and 1930s did not augur well.

Official pronouncements made clear that the co-operatives were not aimed at the small or even middle peasant. The societies were seen as becoming centres of "progressive village thought". They were to afford "the industrious, intelligent, thrifty escape the bondage imposed on him by weaker neighbour' (Nowell,1938,43). The desired co-

operator was the big peasant. A couple of other factors, even if there was not an explicit design to attract richer elements of the peasantry, were bound to produce their disproportionate presence in the co-operatives. Although there was a recognition of the intimate connection between peasant indebtedness, the system of advances and the quality of cocoa, official policy firmly set its face against the provision of outside credit to the societies or facilitating their access to it.

In addition to the alleged lack of thrift mentioned in Chapter Four, colonial officials claimed the cocoa farmer "suffered from too facile credit" (Shepard, 1936, 47). Within this logic to make "additional" credit available through the co-operatives would be to encourage "extravagance". Also the hostility of the merchants to the cooperatives would have been fuelled by the strengthening and advancement of the peasantry being aided by access to less expensive credit. One of their criticisms of the co-operatives was the cost of the scheme to the State.

As late as 1945/46 only slightly over £11,000 was made available to the societies from outside sources, a little more than £1 per member. Loans to members from the societies' own resources were tightly regulated. Loans as distinct from advances on cocoa, were required to be backed by cash in the societies' coffers. If a member required a loan in excess of his share of the society's capital, it could only be granted on the guarantee of two other members who had un-allocated share capital or deposits. These loans were usually for only a few weeks. Co-operative credit was much cheaper than the rural money lender's but access to it was that much more restricted. Given that a fair proportion of the cocoa peasantry relied heavily on loans and

advances from money lenders/brokers to maintain their material conditions of existence, credit on flexible terms from the co-operatives might have attracted a lot more producers despite the net loss incurred in preparing high quality cocoa (Miracle and Seidman, 1968).

Co-operatives were prohibited from indulging in forward sales of cocoa. Members were only paid for their cocoa after it had been sold upon tender by interested buyers. Although small, very short-term advances might be given by the societies to members this was on the basis of cocoa actually delivered to the society's store and awaiting sale; this was very different from the widespread practice of "selling" future seasons' crops to a broker against an advance. This aspect of co-operative policy was another serious disincentive to wider participation in the co-operatives. Many peasants were caught in a vicious cycle of dependence on the money lender and broker. Even relatively better off members of the societies felt a need for the broker's or money lender's services. Until a 1937 bye-law made sale of all his produce through the cooperatives obligatory, 22% of members sold no cocoa through them, another 54% only part (Nowell, 1938, 46). The 22% represented 1,800 out of 9,000 members. The 54% sold less than one ton each out of 7,000 tons. 35 societies sold no cocoa at all in 1932-33. These statistics lend support to the contention that the co-operatives were dominated by big peasants.

Apart from economic factors and contradictions weighing on the co-operative movement there were political contradictions. In the political struggles in the countryside the big peasants represented the biggest threat to the political power of



chiefs. In acting as 'centres of progressive village thought' the co-operatives could serve as an organisational framework for a challenge on the powers of chiefs. Where the Chiefs themselves were big cocoa farmers they supported the co-operatives, others were decidedly hostile<sup>25</sup>. This fact reflected the changes in the basis of chieftaincy induced by the spread of commodity relations resulting in a heterogeneity of view points on some issues among chiefs; the big cocoa farmer chief sought the best of both his pre-capitalist and capitalist conditions, the chiefs largely reliant on the increasingly shaky pre-capitalist foundations of his position tended to be generally more reactionary. The desire to defuse whatever dangers the co-operatives might pose to the system of indirect rule saw the 1937 Co-operative Societies Ordinance adding another layer to the already overbearing state control of the societies. Every application for registration of a co-operative society had to be made through the relevant Paramount Chief; bye-laws and amendments to them were to be forwarded for the Registrar's approval through the Paramount Chief who was to append his "comments" .

The co-operatives were subjected to vigorous regulation and control by colonial government officials. Under the law a cooperative society required the permission of the Registrar (the Director of Agriculture) before engaging in any dealings with "foreigners", effectively putting paid to any manoeuvres by the co-operatives to by pass the local merchant firms. The Governor was empowered to make rules which would form the basis of co-operative bye-laws<sup>26</sup>. The Co-operatives Ordinances of

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<sup>25</sup> Kimble (1963,473-479); Native Affairs Department Reports 1925-29.

<sup>26</sup>1931 Ordinance, s. 43; 1937 Ordinance, s. 66; Regulations No. 20, 24/7/37.

1931 and 1937 provided for stringent requirements to be fulfilled by all societies in matters of finance, keeping of records, etc. Extensive powers were given to the Registrar of Co-operatives to ensure compliance. Among others he had powers of audit and inspection and to approve the banks the societies saved with<sup>27</sup>. The detailed bureaucracy was well beyond the ability of or found tiresome by most societies who were glad to leave these to the agricultural officers.

The intervention of these officers, pushing the official conception of the co-operatives made the societies less creatures of the members and more things of the state. Shepard (1936,27) lamented that "almost the entire efforts of agricultural officers in the districts are devoted to co-operation. The energies of officers have been so fully absorbed in co-operative organisation as to leave little for the investigation of problems of cocoa production". He claimed that the agricultural officers were in charge of every aspect of the societies' operations 'except the production and delivery of cocoa to the society's store (Shepard,1936,27). In a 1935 memo on the "Work and Organisation of the Department of Agriculture" the incumbent Director Grahame Auchinleck, strongly defended the relationship between the cooperatives and the Department. Auchinleck argued that

because of the overwhelming importance of cooperative marketing and finance to the type of agriculture which it is the policy of the Government to foster in the Gold Coast, [he] was entirely opposed to any arrangement which will weaken the connection between the movement and the Department of Agriculture... both because of the importance to agriculture of work towards these ends and because the Agricultural officer can best direct the movement in the interest of agriculture, the movement should remain under the direction and control of the Department of Agriculture<sup>28</sup>.

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<sup>27</sup> Sections 30-34, 1931 Ordinance; sections 45-47, 1937 Ordinance.

<sup>28</sup> Auchinleck to Colonial Secretary, 13 June 1935 in GNA CSO 268/35.

Fitzpatrick and Southwood (1976) indicated a similar process of suffocating colonial state control in Papua New Guinea.

The cost of official control was high. In 1932/33 the co-operative scheme cost the State £26,000. The sales of co-operative cocoa in the period totalled £70,000. This represented a minuscule share of cocoa production. In 1932 £5.5m of cocoa was exported, with 1933 exports being £4.97m. Although by 1935 there were 414 societies with a total membership of 8,000 none was registered under Ordinance - being considered 'immature'. More than 20 years after their initiation, membership was still below 15,000 farmers, less than 10% of all producers and the societies sold less than 5% of the total output of cocoa. After a brief period of expansion, the movement stagnated and in the immediate post-Second World War period membership and numbers of societies declined; in 1945 there were 150 societies with about 6,000 members selling 4% of the total cocoa output (Miracle and Seidman, 1968.). As instruments of colonial policy for improving the quantity of cocoa of a quality considered desirable by the manufacturer the cooperative movement was a failure considering their insignificant market share. Although they had some attraction for some producers they were not primarily designed to advance the interests of the peasantry. The contradictions their existence provoked and the State's attempts to accommodate and control them produced a strait-jacketed scheme.

That the principal impediment to the growth of the co-operative movement was its muzzling effect on the advancement of the peasantry, particularly the richer ones was evidenced by the spectacular growth the co-operatives enjoyed after the establishment



of the 'diarchy' nationalist/colonial government in 1951. Nationalist elements were appointed to the Board of the Cocoa Marketing Board. Its practice of discrimination in the award of licences in favour of foreign firms was ended. Farmers' co-operatives could now operate on a larger scale as marketing board agents. By 1955 membership stood at 33,00 and the societies sold 20% of the crop purchased by the Board (Beckman, 1976, 91-102). Foreign control over the local cocoa trade however was ended decisively after independence and control over cocoa earnings has been central to the efforts of the post-colonial state to respond to the structural distortions bequeathed by colonialism.

## CHAPTER SIX

### Sugar and Oil Palm: 1951-1975

The chapter charts the history and problems of efforts to develop national sufficiency in sugar and oil palm in the period before the initiation of the four case study projects. It examines the factors that affected the outcome of the efforts particularly the role of the state and international capital. The period covered manifests shifts in the economic strategies of the state linked with changes in government. These range from the neo-classical liberalism of the first decade (1951-61) of the Nkrumah regime, through the years after its "Left Turn" (1961-66) when the public sector was given a central role in economic development, to the swing back to a faith in private capital during the NLC/Busia years (1966-72) which again swung back towards a compromise between the private and public sectors in during the NRC/SMC regime (1972-79) (Murray, 1967; Marshall, 1976; Hutchful, 1979; Konings, 1986, 14-21).

#### 6.1. The Pattern of Demand for Sugar, Soap and Palm Oil

The domestic production of sugar and soap and the related modernisation and expansion of vegetable oil production were among the industries considered by W.A. Lewis in his 1953 Report<sup>1</sup>. He concluded that the local market for sugar could support a 13,000 tons a year factory and that prospects for the industry would be *favourable* provided there was an irrigated nucleus plantation; otherwise conditions were *unfavourable*. He placed production of vegetable oil in the *favourable* category.

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<sup>1</sup>Lewis, W.A (1953) - Report on Industrialisation and the Gold Coast, Government Printer, Accra.

Lewis recognised "ultimate" prospects for "killing several birds with one stone" through a vegetable oil industry which serviced a soap factory and produced cake for feeding livestock. He however thought a soap factory was a *marginal* case although "the demand for soap could support a large modern factory", moving into the *favourable* category if caustic soda or soda ash could be economically produced locally. For both sugar and vegetable oil/soap production, Lewis drew attention to the crucial relationship between an adequate agricultural raw material base and a successful manufacturing industry (Lewis,1953,passim).

On the eve of independence the Gold Coast was a net importer of oils and fats. Palm oil exports ceased in 1955 though small quantities palm kernels, averaging 6,748 tons a year over the period 1950-59, continued to be exported. After the Second World War Gold Coast palm oil exports only once exceeded 500 tons. In 1950 the colony imported 83,000 gallons of edible oils and 253,000 lbs of butter substitutes. The post-War boom in the price of cocoa and the expanding home market for edible oils were the principal causes of the drying up of exports and growth in imports. Although there was an old indigenous soap industry based on palm oil and the ash of plantain peels, it is almost certain that it was not a factor in the growth of the home market for vegetable oils, its trend being one of decline.

Sugar and soap imports grew sharply during the boom in consumer imports in the decade up to the balance of payments crisis of 1961 which was the most important impulse for the "left turn" by the CPP government (Killick,1978,264;Seidman,1987:101). Total 1961 imports, accompanied by the



collapse of international cocoa prices, were equivalent to 34% of GDP compared to 29% in 1955; more than 40% of this comprised non-durable consumer goods (Killick in Birmingham, et. al,1966,359).The £26m cost of food imports in 1961 represented a 262% rise on the 1951 amount of £9.9m. In 1960 food alone constituted over 19% of the value of imports (Hansen,1987,31). Annual imports of sugar jumped from 14,000 tons in 1951 to 70,000 tons in 1961, a 500 per cent increase. From around 6,100 tons, valued at £0.66m in 1950, soap imports climbed to 11,113 tons worth £1.2m in 1953 and topped 20,000 tons in 1959. At £2.74m the cost of 1961 soap imports represented a more than 400 per cent increase over 1950. The supply of the two commodities were among those affected by the tightening up on imports which accompanied the CPP's 1961 "Left Turn".

The import trade liberalisation policies of the NLC/Busia regimes that succeeded the CPP produced a dramatic pick up in the import of soap and sugar, especially under the Busia regime which accelerated the policy initiated by the NLC. By July 1971 76 per cent of imports came in under the Open General Licence (OGL) compared to 27.8 per cent at the time the NLC left office. High cocoa prices, supplemented by new credits, funded an import boom, mainly of consumer goods. The price of cocoa peaked in 1970 and thereafter fell sharply (Killick,1978,307). This downturn coincided with a jump in debt servicing outflows but imports continued to grow. Imports for the first half of 1971 were 20 per cent greater than for the corresponding period of 1970 (Leith,1974.148). The bubble however burst in late 1971.

Sugar had loomed large in the import boom. The NLC placed the commodity under the OGL and from 1966 imports of sugar grew significantly. Between 1966 and 1971 average annual imports had risen to 76,500 tons compared with around 53,300 tons for 1961-65. In 1970 sugar represented 26.2% of the total cost of OGL food imports! In the same year 115,000 tons of sugar worth 16m cedis was imported; this was a big jump from the 67,000 tons of the previous year and the average annual cost of 7m cedis for the preceding eight years. In 1971 the gap between national consumption and production of sugar was considerable; nearly 95,000 tons was consumed compared with a combined output of 10,800 tons from Asutsuare and Komenda. At that time demand was projected to reach at least 159,000 tons by 1980, more than three and half times the installed capacity of the two local factories. Faced with a growing balance of payments deficit the government announced austerity measures in its July 1971 Budget that included an attempt to control imports. Some food items, including sugar, were taken off the OGL list. The move helped bring the year's imports of sugar down to 50,000 tons but the restriction of food imports contributed to a 12.4% increase in food prices that year. This fuelled popular discontent and the creation of the political conditions for the coup d'état of 13 January 1972 which brought the National Redemption Council (NRC) to power (Leith, 1974; Chazan, 1983, ch 7).

Soon after seizing power the NRC announced a policy of "self reliance": it rolled back the import liberalisation policy, revalued the cedi, and announced a unilateral repudiation of some of the debts from the Nkrumah period. Two agricultural schemes, "Operation Feed Yourself" (OFY), launched in February 1972, and "Operation Feed Your Industries", initiated in 1974 provided the framework of the drive for national

self reliance was expressed in the two schemes (Hutchful,1979: Goody,1980; Konings,1986,passim). Efforts at increased domestic production went hand in hand with import controls. Sugar, and soap, were among eleven "essential commodities" that the NRC placed under the trading monopoly of an Essential Commodities Committee, with their prices subject to state control and subsidy. The cost of these subsidies was a not insignificant burden on government finances; in its first six months the NRC paid out about 5 million cedis as subsidy on sugar alone, 3m cedis (i.e. \$2.3m) of this in foreign exchange. From around 1976 when the economy went into steep decline, the NRC/SMC's subsidy policy became a political economic "Catch-22": the populist allure of retaining it increased as its economic price rose.

## **6.2. The Sugar Industry:1953-73**

The proposals for the sugar industry contained in the Lewis Report underlined the fact that the complete dependence of the Gold Coast on imported sugar had nothing to do with the impossibility of domestic production. Many parts of the country have suitable conditions for the successful cultivation of sugar cane and local varieties of the crop had been grown for many years (Wills,1962,383)<sup>2</sup>. Within the general colonial policy of concentrating efforts on the production of export crops, the development of an import substituting sugar industry in the Gold Coast was among those least likely to be considered. British colonies in the Caribbean were dependent

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<sup>2</sup> For the climatic conditions for the production of sugar cane see Courtenay (1980,130) and International Sugar Council (1963),Vol II,61).



on the sugar industry and British firms were heavily involved in the international trade in the commodity.

Sugar production was among the imports substituting industries that the colonial administration experimented with in the face of import constraints during the Second World War. In 1943 the Department of Agriculture, using sugar cane crushers imported from India, organised demonstrations on simple technology production of sugar and molasses in some districts of the Gold Coast (La Anyane, 1963, 158). In 1948 the government commissioned a feasibility study on a local sugar industry. On the basis of this study, research on the cultivation of sugar cane was started at Kpong on the Lower Volta in 1953. The colonial era however ended with the Gold Coast wholly dependent on imported sugar. The Kpong research scheme later served as the nucleus of the Asutsuare sugar project while the Komenda factory built on a Dutch-designed pilot cane growing scheme started in 1959.

The Asutsuare and Komenda sugar schemes were part of the giddy expansion of the productive public sector after 1961. A substantial part of investment went into the food industry. Within this industry only fishing received more public investment than sugar production (Reusse, 1968, 47). The Asutsuare scheme was designed, equipped and established by a Polish firm, CEKOP. The Komenda plant was supplied by Techno-Export of Czechoslovakia. By the time they started production in 1966 and 1967 respectively, total capital outlay on them (excluding irrigation works) was about \$25m. Both plants were expected to reach full capacity production in their third year of operation. The Asutsuare factory was designed to produce 30,000 tons of sugar

annually on the basis of a production run of 150 days a year. It was capable of crushing 2,000 tons of sugar cane a day, with a sugar recovery rate of 10%. The Komenda plant had a daily crushing capacity of 1,000 tons of cane and annual sugar output of 15,000 tons. The combined potential maximum output of the two factories was equivalent to 60% of 1961 sugar imports.

Considering the 7YP's projection of national sugar demand of 200,000 tons in 1975, the sugar production schemes it contained were by no means extravagant. Apart from the foreign exchange savings that such an industry would make, other arguments were made in its favour. The creation of industrial and agricultural employment was one. The production of alcohol for beverages, cosmetics and the pharmaceutical industry and, combined with petroleum products a base for plastics was another. Also, the by-product bagasse could be used for the manufacture of hardboards and wrapping paper. From when they commenced production until the 1973 World Bank funded GHASEL Rehabilitation Scheme, the factories produced nowhere near full capacity. The combined average annual sugar output of the two factories was just over 5,000 tons, about 11% of capacity. The highest output was in 1971 when the combined production of the two factories was 18,700 tons: but this was primarily from the refining of imported raw sugar! Between 1966-71 sugar recovery rate averaged 4.0% at Asutsuare and 6.5% at Komenda compared with an industry norm of 9-10% (O'Loughlin,1972,16). The schemes did not only fail to make an appreciable contribution to the satisfaction of domestic demand but also run up losses, estimated at \$6.85m, by the end of 1971 (World Bank,1972,5).

The factories persistently suffered from an inadequate and irregular supply of cane. There was also a problem with the quality of the cane that was produced especially that supplied by outgrowers; field preparation, cane planting and cultivation by both the factory's estate and outgrowers at Asutsuare was pronounced "unsatisfactory" by the World Bank (1972:11). With even the limited supply of cane that was available, there was poor coordination of harvesting and crushing resulting in cane lying around for unsatisfactory lengths of time after being cut. These two factors were the principal reasons for the poor sugar recovery rate. At Asutsuare there were problems with the machinery for milling and refining (Okyere,1979; van der Wel,1973; O'Loughlin,1972).

These production problems were rooted in the sugar industry's specific experience of the consequences of the character of the post-colonial state and policies especially a) the inadequate preparation of the schemes; b) the defects in how they were organised and managed; c) the changes in state policy on the public sector, in the wake of changes of regimes; and d) the overall national economic environment. At a general level questions have been raised about the particular choice of technology i.e the preference for large scale capital intensive production of highly refined sugar. Ghana's historical dependence on sugar imported by local branches of British firms had created a household consumer preference for highly refined sugar, granulated or cubed, particularly the latter. The strength of this preference is reflected by the blurb in an advertisement for made-in-Ghana sugar in the house journal of GHASEL which went as follows: "Sugar is sugar. Why not start using 'produced in Ghana' granulated



sugar...The taste is as good as cube sugar"<sup>3</sup>. Cubed and granulated sugar accounted for 36,539 tons out of total imports of 38,207 tons of sugar and sugar products in 1963.

It has been argued that, while some quantity of highly refined sugar would always be required, a large part of domestic consumption and industrial use could be satisfied by lower grade sugar (O'Loughlin,1972,14). For example, distillers of the local gin akpeteshie usually use granulated sugar though molasses, syrups or wet crystals would be adequate replacements if available. The choice of technology also has consequences for the political economy of the industry. Lower grade sugar can be produced by smaller mills which are technically simpler, do not require large plantations as a base and could also be spread among more areas suitable for cane production (O'Loughlin,1972,passim; Okyere,1979,ch 3)<sup>4</sup>.

Although the erection of both factories had been preceded by some feasibility study and research Asutsuare and Komenda were the only two out of many potential sites where soil analysis was carried out. O'Loughlin (1972,14-15) has claimed that some other areas, for example Tsito, are climatically better suited for non-irrigated sugar cane cultivation. In fact the plant which was erected at Komenda had been meant for Tsito where no soil survey had been done. After being kept in a Czech warehouse for

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<sup>3</sup> GHASEL News 1,1 April 1975.

<sup>4</sup> For implicit counter arguments see below.

two years, at Ghana's expense, it was sent to Komenda where there was a 400 acre pilot sugar cane scheme (Miracle & Seidman,1968,40).

The decision to site a sugar factory at Komenda was partly due to the CPP's criterion of avoiding a geographic concentration of manufacturing and spreading industry around the country to serve as poles of growth for relatively undeveloped areas<sup>5</sup>. Some have argued that it would have made more economic sense to have established a single larger scheme at Asutsuare, not only because it has better conditions for sugar cane but also economies of scale would have lowered production costs and provided more scope for the industrial utilisation of the by-products. It has been further argued that the idea of concentrating resources on Asutsuare did not appear to have been considered (van der Wel,1973:7).

These arguments are however less weighty than they appear to be for a number of reasons. At the time construction was started, the planned crushing capacity and annual sugar output of both factories were around the world average for sugar plants of 1,500 tons of cane per day and about 20,000 tons a year respectively (ISC,1963,passim). Given the novelty of the enterprise the decision to go for average sized plants within the chosen technology seems sensible. At Asutsuare a shortage of labour for the agricultural side of the industry emerged as a major problem, retrospectively weakening the argument for a concentration of production at there. The fact that equipment for the factories came from two countries that have traditions of sugar beet rather than cane cultivation and processing has been cited as accounting

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<sup>5</sup> Interestingly Seidman (1978, passim) considered the Asutsuare plant as having the potential to be a growth pole while being severely critical of the lack of planning which preceded the Komenda scheme.

for some of the technical and management problems that the factories have faced (Grayson,1973,336). This can be seen as a particular kind of poor project preparation.

The Nkrumah government turned to Eastern Europe for help with the industry only after the World Bank withdrew an initial offer to provide funding, through the IFC, for the setting up of the industry<sup>6</sup>. By the World Bank's own account, before setting up the industry in the public sector the CPP government had contemplated the involvement of private capital and had asked for IFC participation. However, when the government settled for public ownership the Bank pulled back since it "considered private ownership to be essential" (World Bank,1981,9).

Inadequate preparation of the schemes was intertwined with wider shortcomings in national economic planning. The sugar industry suffered from problems in the overall conception and preparation of the expansion of the public sector, including the general failure to integrate the development of raw material production and factory construction. The original conception of both Asutsuare and Komenda was based on the factories being fed with sugar cane from large scale irrigated farms (Ghana,1964,70). The plan for the factories to be supplied by irrigated plantations was significantly modified by the Nkrumah regime when it became clear that the cost could not be met from overstretched public resources.

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<sup>6</sup>For the terms of the Polish and Czech agreements see *W/Africa*, April 23 1966 and July 29 1967.



The industrial cultivation of sugar cane was an innovation in Ghanaian agriculture, the long history of production of local varieties notwithstanding. Established commercial varieties of sugar cane with high sugar content were introduced from the Caribbean, and as late as the 1970s tests to establish their performance under Ghanaian conditions were still going on. Large scale cultivation of the crop also entailed agricultural practices, labour processes, organisation and discipline which had no tradition in the country. The dismal performance of the large scale state farms, discussed earlier, was due in part to the difficulties of developing and managing a classical plantation labour process in an agricultural sector dominated by traditions and practices of small holder production. Thus, even if the original idea of an agro-base of large scale irrigated cane farms had been fully implemented, the training and orientation of labour to the needs of the new crop and its processing would have had to overcome a number of obstacles. At Asutsuare some of the initial work of the management included the training of field assistants and technicians (Miracle & Seidman, 1968, 42). The decision to depend primarily on rain-fed sugar cane meant that more than the originally planned acreage of cane had to be grown since yields would be lower.

The turn to rain-fed cane was accompanied by a change in the organisation of production: in addition to the large estate farms, the factories were also to be supplied by smallholder outgrowers organised into cooperatives under the United Ghana Farmers Co-operative Council (UGFCC). The involvement of outgrowers in feeding the factories complicated a crucial element of the organisation and management of the industry: the business of organising and managing the imparting of new cultural practices and enforcing quality standards. In 1968 there were 60 cooperative societies

at Asutsuare and 120 at Komenda (Okyere,1979,8). Although the cooperatives broke up after the dissolution of the UGFCC by the NLC, outgrowers were established as a key source of supply for the two sugar factories. In fact, the NLC/Busia period saw new social types becoming outgrowers, a matter discussed in detail below. On the eve of the World Bank Rehabilitation Project, outgrower farms constituted 80 % of total cane acreage at Asutsuare and 54% at Komenda (World Bank,1981,21).

Organisational and management problems, reflecting the wider national shortage of skilled personnel, were prime reasons for the production difficulties of the sugar industry (van der Wel,1973,2; World Bank; Killick). The agreements for the establishment of the sugar industry made provision for the training of technical and management personnel, aspects of which have already been mentioned. These contracts were disrupted by the 1966 coup. Although the sugar industry came on stream in the post Nkrumah period, it bore many important marks of that period during which it was established, especially the country's shortage of skilled personnel that was acutely highlighted by the pace of public sector expansion.

The widespread practice of dividing integral tasks among different parastatals saw the development of the estate sugar plantations being assigned to the State Farms Corporation (SFC), with the factory under the Sugar Products Corporation. Section 2 (iii) of the law establishing the latter corporation, the Sugar Products Corporation Instrument, 1965 (L.I 407), did provide for it to "co-operate with the State Farms Corporation and other producers of sugar cane and other sources of sugar in the development and improvement of its sources of raw material". Interestingly

immediately preceding this provision was s. 2(ii) empowering it to "own and operate sugar cane plantations for the purposes of assuring regular raw materials for its mills". The UGFCC was put in charge of the industry's small holder cane farming component, adding yet another entity to those which had to be coordinated to give the Sugar Products Corporation the assurance of "regular raw materials for its mills".

Failure to integrate the development of raw material production and the building of processing facilities was a pervasive problem with the agro-based industries set up in the last years of the Nkrumah regime. The sugar schemes, together with some fruit and vegetable canning projects, exhibited this flaw (Grayson, 1973, 335-340; Killick, 1978, 232-234). The phenomenon had two dimensions. Firstly failure to see the agricultural and industrial sides of agro-industrial schemes as *one project*. There seems to have been greater forward planning and integration of the agricultural and industrial sides at Asutsuare than there was at Komenda, the latter project quickly run into difficulties over cane supply. Yields of non-irrigated sugar cane at Komenda were estimated at between 20-25 tons an acre, which meant full daily production consumed 40 acres of cane. Sugar cane takes between 12-15 months to mature, depending on the variety and the climate. The Komenda factory was completed in 1966. At that time less than 1,000 acres of cane, enough for 25 days of factory production, had been cultivated. Having been in production in 1966/67 the factory shut for a period in 1967/68 because of insufficient supply of cane.

The pace of expansion of the productive public sector during the First Republic put a great strain on Ghana's administrative and managerial resources. The point was



acknowledged by the CPP government itself and noted by its friends and critics (Ghana, 1964, 111; Blunt, 1970; Bergin Foster and Zolberg, 1971; Botchwey, 1973; Grayson, 1973). The inadequate preparation of projects was a manifestation of the problem and it carried into execution (Greenstreet, 1973, 28). The problems arising from personnel shortages were aggravated by organisational weaknesses due to a) the excessive centralisation of some powers and functions at the same time as the decentralisation of others, resulting in administrative overlaps, conflicts and gaps among state organisations and functionaries; b) the division among different organisations, along Civil Service lines, of activities that were integral in a manner that created problems of coordination which undermined the objectives of one or the other of the organisations, and b) the divergence between formal legal and administrative arrangements and practice (Botchwey, 1973; Pozen, 1972).

Botchwey has made a revealing analysis of the provisions of the Instruments setting up enterprises under the Statutory Corporations Act, 1964 (Act 232) and L.I 457 of 1964 that set up the State Enterprises Secretariat (SES), the body which was meant to oversee the operations of statutory corporations engaged in trade and industry. He accepts that the lack of trained personnel contributed to the inability of the SES to carry out its statutory functions but convincingly rejected the argument that inadequate legal controls were also a factor.

In his view (Botchwey,1973,71), the problem was partly due to:

"the SES and its subsidiaries ...operating on two distinct jural norms based upon two contradictory principles. On one hand was the statute of the SES which gave it authority to effectively direct all aspects of the subsidiary's activity, and on the other was the set of instruments creating the subsidiaries which, while acknowledging responsibility to a number of government departments including SES, expressly issues an injunction to all such departments against interference in matters of management.

Problems arising from the dispersal of functions did not go away with the overthrow of the CPP regime. One commentator has reported how, at a meeting he attended at the Finance Ministry in 1970, the Ghana Industrial Holding Corporation (GIHOC) which run the sugar factories and two sections of the Ministry of Agriculture (the mechanisation and irrigation departments) each presented separate and contradictory plans for the cultivation of sugar cane. He was pessimistic about the outcome of an agreement by the parties to try and reconcile their positions because "the gap between intention and performance was so large that there could be little confidence that actions were coordinated in actual practice" (Killick,1978,258).

Lack of coordination among different state organisations was not the only problem that persisted beyond the CPP period. GIHOC was created in 1968 by the NLC, replacing the State Enterprises Secretariat<sup>7</sup>. Twenty state enterprises, with a total of twenty nine factories (left over from the NLC regime's less than successful privatisation drive) were made into divisions of GIHOC. The Sugar Products Corporation became the Sugar Products Division of GIHOC, which it remained until it mutated into GHASEL as part of the World Bank scheme. GIHOC was central to the attempts of the NLC

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<sup>7</sup> Ghana Industrial Holding Corporation Decree, 1967 (NLCD 207).

and Busia regimes to build a public sector devoid of the problems and mistakes of the Nkrumah period (Pozen, 1972, 825-828). However, its divisions, predictably, could not avoid organic problems of the country's political economy such as shortages of management and technical staff<sup>8</sup>. For some, GIHOC's difficulties were compounded by it being poorly conceived: its objectives were ill-defined and its conglomerate character combined some very disparate activities resulting in even more strains on its limited technical and management resources (World Bank, 1972: *passim*)<sup>9</sup>. "Holding" in GIHOC's name has been described as a misnomer since management of the "divisions" was centralised at the Company's headquarters. This administrative set up combined with the geographic dispersal of component units in a situation of poor communication facilities added to the management problems.

The effects of all these on the Sugar Products Division in particular were compounded by the basic changes in government policy on the public sector after the overthrow of the CPP<sup>10</sup>. As part of de-emphasising the role of the sector both the NLC and Busia regimes reduced the flow of resources to it. The private sector was given a greater allocation of bank credit and import licences (Esseks, 1971, 47). Getting some of what state funding was available was not easy. Applications to the state for working capital was usually granted only after the GIHOC management had repeatedly justified the request. Also "each time a GIHC (sic) enterprise asked for additional funds, it not

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<sup>8</sup>See Grayson (1973) for a detailed discussion of GIHOC

<sup>9</sup>The World Bank's criticism of GIHOC is interesting: according to Grayson (1973, 327) GIHOC came out of a suggestion the self same World Bank made to Nkrumah some months before the 1966 coup.

<sup>10</sup> The new emphasis on private enterprise had important consequences for the industry's agro-base, something discussed in the chapter on outgrowers.



only had to justify its request...but each time and over and over again, it had to justify the very existence of the enterprise itself"(Grayson.1973,326). During the preparation of the 1969/70 Budget it took the threat of the GIHOC management to close the two plants to save their budgetary allocations from being cut. In 1971/72 Komenda and Asutsuare were the only two manufacturing SOEs still included in the national development budget. The less than enthusiastic support from the state, combined with the general shortage of foreign exchange, meant that additional equipment for the factories and cane fields could not be bought.

Perhaps more damaging for the sugar industry was the managerial instability, loss of technical personnel and disruption of the training of Ghanaians that resulted from the new policy orientation towards SOEs and the strong anti-communist posture of the NLC/Busia regimes. Polish and Czech personnel at the two sugar factories were among the numbers of Eastern European personnel who left the country or were expelled in the wake of the 1966 coup. Though some remained in a technical capacity<sup>11</sup> through to 1972, under an arrangement with the government and later GIHOC, their small number (in 1972 there were three at each plant) and the post-Nkrumah political atmosphere was hardly conducive to their effective involvement in the development of what was still an infant industry. Apart from the fact that there were no Ghanaians with the requisite training to fill key positions, there was no proper handing over by the departing Czech and Poles. After their departure many vital documents could not be found<sup>12</sup>.

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<sup>11</sup> Eastern Europeans were general managers of the factories before the coup.

<sup>12</sup>Interview with Mr Okine, Technical Adviser at GHASEL (29 October 1981).

An agreement with Associated Consulting Engineers Ltd (ACE) of Pakistan, under which they took over management of Komenda in 1968 and Asutsuare in 1969 till June 1972, did little to improve the performance of the industry. Under the agreement ACE were, among other things, to provide a general manager, agronomist and sugar technologist for each factory, institute a training programme and provide overall guidance for the industry, for a fee of \$18,100 a month. According to the World Bank, ACE's failure was due to lack of finance and lack of policy direction from GIHOC and the shortage of technical staff and labour (World Bank, 1972:4-5). Others have argued that any faith in the contract was misplaced since ACE were not in fact qualified to fulfil the terms of their agreement with GIHOC<sup>13</sup>. ACE had been consulting engineers during the *construction* of the two factories. Mr Okine has claimed that the firm had no experience of managing a sugar industry and brought in very low grade personnel to fulfil its agreement with GIHOC<sup>14</sup>. Certainly at the time they left there were not more than two or three Ghanaians capable of filling key management positions and the losses of the industry had increased (World Bank, 1972, Annex 2, Table 3).

By June 1972, when ACE's contract formally ended, sugar was of heightened economic and political importance. These political and economic factors added to a)

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<sup>13</sup> Interview with Mr Okine, *ibid*.

<sup>14</sup> Ghai & Choong (1988) approvingly cite those provisions of the GIHOC-ACE concerned with the training of Ghanaians for technical and managerial positions and the division of powers on policy between a host institution and a foreign manager (GIHOC retained the basic decision making power subject to advice in the form of proposals from ACE). They argue that this kind of arrangement aids the host institution to acquire information on aspects of an industry helping its decision making and participation (p.22). Their own caveat about the limited value of legal provisions would be vindicated if Okine's claims that ACE did not have the capacity to fulfil the attractive terms of their contract are true.

the satisfaction of growing demand, b) ending the huge losses, c) saving the jobs of the nearly 7,000 persons involved in the sugar industry, and more hopefully d) getting some return on the big investment made in the sub-sector as sources of pressure on the Ghanaian state to act to solve the industry's problems. This was the situation within which the World Bank funded Ghana Sugar Estates Ltd (GHASEL) rehabilitation scheme took off in 1973, after a gestation period stretching back to the NLC years.

### **6.3. Palm Oil and Soap Production: 1951-1975**

#### **6.3.1. Tallow-based Soap in Oil Palm Country**

When President Nkrumah officially opening Unilever's Lever Brothers Ghana Ltd (LBG), soap factory in Tema in August 1963 he expansively declared:

It was with soap that it all began. Now the wheel has turned full circle and Lever Brothers, who originally came to Ghana for the raw material, are today manufacturing here the finished product<sup>15</sup>.

At the time of commissioning, the managing director of UAC claimed that the equipment of the £2 million factory, capable of producing 24,000 tons of hard soap a year, were "the most modern and sophisticated of any soap factory in the world"<sup>16</sup>. By 1972 the company had expanded its capacity to about 40,000 tons of soap and detergent powders and was also producing toothpaste, margarine and cooking and bakery fats. In 1964 the Ghanaian state became a 49 per cent share holder in LBG.

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<sup>15</sup> *West Africa*, August 31, 1963.

<sup>16</sup> *West Africa*, August 31, 1963.



a share which rose to 55 per cent in 1975 following the Investment Policy Decree. An article in a 1972 issue the *Investment Journal* (1972.3.4:13) official organ of the Capital Investment Board hailed LBG as "a successful joint venture". In truth the size of the state's shareholding had little consequence for Unilever's control over the firm which was underpinned by a management contract which gave Unilever considerable powers (Ghai and Choong,1988,20).

Nkrumah's statement was misleading in so far as it gave the impression that a once-exported raw material was being used at source to produce a hitherto imported commodity. LBG can be considered a classic example of how the ISI drive of post-colonial African regimes in many cases served to consolidate the power of some TNCs. It was very much a 'branch plant'. Freedom to set up an imported raw-material based plant was an important factor in Unilever's decision to set up LBG. At the time the factory started production Ghana was a net importer of vegetable oils and continued to be so into the 1980s (Okyere,1980; FAO,1980; Republic of Ghana, 1982). Until 1971 when it started using local palm and coconut oils for the production of edible fats LBG did not use local vegetable oils in its production.

The terminal decline of palm oil exports during the 1950s coincided with the acute post-war shortage of oils and fats that hit the Western countries and produced the abortive British groundnut schemes in Africa, symbolised by the multi-million pound East African project (Wood,1950). The Oilseeds production plan, instigated by Unilever, did not leave the Gold Coast untouched. In fact, following the regional tour of the British government's West Africa Oil Seeds Mission of June-July 1947, the

Gold Coast was the first of the West African colonies to submit a plan for the mechanised production of groundnuts. The Gold Coast version of the "Groundnut Affair", the ill-fated Gonja Settlement and Development Scheme of the early fifties, was the outcome of this episode (Morgan,1980,Vol 2,ch 4; Quansah, 1972).

The 1950s saw the beginning of efforts to move away from a dependence on wild natural oil palms and modernise oil palm cultivation. Between 1952-60 the state distributed nearly two million seeds of improved varieties imported from the Nigeria-based West African Institute for Oil Palm Research (WAIFOR); demand for the new seedlings was much greater than supply (Wills, 1962:363). In this period most plantings were small scale. The state made its first move into large scale oil palm farming when the Agricultural Development Corporation (ADC) acquired the 2,483 acre Prestea oil palm plantation from a bankrupt private owner. This was followed in 1961 by the ADC's purchase from Pamol, the Unilever subsidiary, of its 1,300 acre oil palm plantation and mill, established in 1914, for £100,000. In 1964 a national Oil Palm Research Centre (OPRC) was set up at Chid in the oil belt of the Eastern Region. This was to give an important boost to the growth of the modern oil palm industry in later years (World Bank/FAO,1989).

The post 1961 expansion of large scale public sector farming involved significant attention to increasing oil palm acreage. The Seven Year Development Plan of 1964 (7YP) considered the crop as having very attractive prospects "because of the sizeable domestic demand that already exists for cooking purposes and for the manufacture of soap" (Ghana,1964,70). The State Farms Corporation (SFC) was to be the main

vehicle for meeting this demand. In 1965 the Corporation had over 8,600 acres of oil palm. In the same year the Agricultural Development Bank (ADB) started giving loans for the cultivation of oil palm, a policy it continued into the post Nkrumah period. It was during this period of rapid expansion of large scale oil palm acreage that the potentially single largest domestic industrial consumer of vegetable oil, Unilever's LBG soap factory, started operations.

Throughout the 1960s and 1970s LBG, and soap factories established after it, depended on imported tallow and vegetable oils for soap production; indeed LBG, with the "the advantageous position as monopolist of the market"<sup>17</sup> expanded its import-dependent production. As late as 1979, foreign inputs accounted for 86 per cent of the value of manufactures in "soap cleaning preparations, perfumes, cosmetics and toilet preparations" sub-sector. Admittedly this is much wider than soap manufacturing but still of some indicative value<sup>18</sup>. The quantity of tallow imports, like that of most other commodities, fluctuated with the availability of foreign exchange rather than demand. In the 1970s palm oil imports while fluctuating, showed an upward trend. In 1971 palm oil and kernel oil imports were 2,800 tons. This rose to 17,300 tons in 1974, declined to 3,500 in 1975, then shot up to 29,600 tons in 1977 (FAO,1980;World Bank,1982,32).

Though it came on stream in 1963, LBG was very much a product of the CPP's immediate post-independence development strategy and reflected how the drive for ISI

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<sup>17</sup>Investment Journal (1972),3,4:13 .

<sup>18</sup> See Republic of Ghana, Industrial Statistics, 1977-79.



overlapped with strategic choices faced by some TNCs in that period. Unilever had first seriously considered the possibility of producing soap in the Gold Coast in 1934 when it had appeared its dominant position (it had 80 per cent of the market for imported soap) might be threatened by the newly-established Accra Chemical Works (ACW). The threat did not materialise because ACW's production stabilised around less than 700 tons. By the 1950s the factors earlier argued as pushing TNCs to invest in ISI in post colonial Africa starkly faced Unilever in respect of its soap trade in Ghana. The firm was the primary beneficiary of the growth of soap imports in the 1950s, ninety seven per cent of the 6,135 tons of hard and toilet soaps imported into the Gold Coast in 1950 came from Unilever. Sales rose to over 10,000 tons (out of total imports of 11,112 tons) in 1953, worth £150,000 in pre-tax profits to United Exporters Ltd (UEL), Unilever's local import organisation. By 1959 sales were just under 20,000 tons. In the words of Fieldhouse (1978,411) "by 1953, Unilever had a very much more valuable import trade to protect than before the war".

The CPP's first steps towards ISI provided the context for the first substantive move by Unilever towards the setting up of a local production capacity. In a statement on foreign investment in March 1953, Nkrumah indicated that new industries would be granted relief from duties on imported raw materials. This was soon followed by the recommendation of the Lewis Report (para 221-240) that *marginal* and *favourable* industries be aided in various ways, including being given tariff protection. In November 1954 Unilever informed the Governor of the Gold Coast that it would set up a soap plant in the Gold Coast provided three conditions were met. It sought a) an increase in import duties on soap: from the then level of 5 per cent to 15 per cent

or more *ad valorem* on hard soaps and to 25 per cent on toilet soaps; b) the abolition of import duties on raw materials for soap; and c) adequate facilities for a factory at Tema.

The matter was picked up with the Ghana government in 1959. In 1960, with indications of a positive response, Unilever started work on a factory at Tema. In 1962 following a meeting between Nkrumah and the managing director of UAC, LBG received assurances of most favoured treatment: tariff protection against imported soap either through removal of duties on imported raw materials or an increase in that levied on imported soap. In fact, by the time the factory started production all imports of hard soap were banned (Fieldhouse, 1978, 405-417). The company was also granted some of the benefits and exemptions contained in the 1963 Capital Investment Act, e.g five-year income tax and property rates exemption, capital allowances and free transfer of capital.

Curiously, in spite of the 7YP's projection about a market in the soap industry for palm oil, in the Plan's table of industrial targets for 1969 the production of soap (projected at 35,000 tons) was not expected to use any local raw materials<sup>19</sup>. This discrepancy could be simply due to sloppiness in drafting or an assumption that LBG was free to use the cheapest raw materials regardless of source which certainly put local palm oil out of the running. Could Unilever's sale of its Sese oil palm plantation (ironically to the ADC) in 1961 be taken as signalling a long term *intention* to base

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<sup>19</sup> See Table 5.2 on p.103 of Seven year Development Plan.

production at LBG on imports or as merely a recognition of an objective *prospect* that local supplies would be inadequate?

The restoration of exports could not have been part of the calculation behind the fairly modest projections of the 7YP since at the time important changes were afoot in the international oilseeds trade. One was the emergence of cheaper South East Asian producers of palm oil and kernel, with the advantage of optimal climatic conditions. Even today the best attainable yields on well managed plantations under the most favourable climatic conditions for the crop in Ghana are no more than 11 tons of fresh fruit bunches (ffb) per hectare (in practice nearer 8 tons) compared with 20-25 t/ha in Malaysia (Ghana National Investment Bank, 1987, Ch 2; FAO, 1989, 8; Khera, 1976). The other change was the radical shifts in the international demand for and uses of oil seeds. Since the Second World War the growing demand for animal feedstocks has induced a movement away from seeds with high oil content towards seeds with low oil and high protein content (Raikes, 1988, 127). Palm kernels have a comparatively lower feed value.

We have already noted the dramatic disruption and curtailment of the CPP's economic plans, including the development of local raw material supplies for ISI enterprises, by the 1966 coup. SFC oil palm plantations were among farms that were either abandoned or suffered neglect under the new regime. The 1970 Sample Census on Agriculture estimated that oil palm acreage was about 110,000 ha, 93,000 ha of which was wild or subsidiary crops on small peasant holdings; with the remainder in pure stands or predominant on farms of various sizes (Government of Ghana, 1970, Vol 1, 67-68). Of the estimated 14,500 ha of pure stand oil palm more than half (8,100 ha) was



in the Western Region, the area with the largest stretch of area with climatic conditions favourable for the crop. In 1962 it was estimated that the Ahanta area west of Takoradi in that Region had highest density of oil palm per acre in the country (Wills,1962,362). Of the pure stands, parastatal organisations accounted for 16,000 ha, with 11,000 ha under the State Farms Corporation, of which only half was estimated to be fruit-bearing (World Bank,1975,Annex 1,3)<sup>20</sup>.

Palm oil production in 1970 was estimated at slightly over 20,000 tons, with all but 1,000 tons going into direct human consumption. The raw material requirements of LBG's soap factory alone indicate the domestic supply shortfall at the time. In fact despite LBG's production at the time there was still an unsatisfied market for soap<sup>21</sup>. The persistent inadequacy of local palm oil production reflected in the figures on imports of palm oil and tallow in the 1970s, was underlined by a 1975 study on oil palm<sup>22</sup>. This study projected internal demand to grow to 69,000 tons in 1985, with a possible domestic supply shortfall of 29,000 tons. However within a decade of the 1975 World Bank study, "the production phase (of the oil palm sector) had outpaced the other phases, resulting in a glut of palm fruit"! (Republic of Ghana,1987,1). This startling situation was the result of the massive investment that went into oil palm from the mid 1970s, primarily into three large scale schemes: the Twifo Oil Palm

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<sup>20</sup> The Sample census on the other hand provides figures which are well below this: SFC holdings of 4,450 ha out of 6,075 ha.

<sup>21</sup> The 1971-72 Report of the Capital Investment Board/Ghana Investment Centre (CIB/GIC) lists six of the CIB's main criteria for project identification and preparation. Sugar and soap were the two commodities used to illustrate the first of these - the existence of a large unsatisfied home market.

<sup>22</sup>World Bank Appraisal of Oil Palm Project Report No. 173a-GH (1975,3) lists other reports.

Plantation (TOPP), the Benso Oil Palm Plantation (BOPP) and the Ghana Oil Palm Development Corporation (GOPDC).

### **6.3.2. The Tripartite Oil Palm Projects**

The establishment of TOPP, BOPP and GOPDC cultivated with modern technology and possessing modern mills, wrought a qualitative and quantitative revolution in Ghana's oil palm sub-sector. The three enterprises, products of an alliance of the Ghanaian state and international capital, designed and managed by agribusiness TNCs, do not only represent a significant penetration of foreign capital into Ghanaian agriculture, they have also changed the character of the oil- palm sub sector and introduced the mechanisms and methods of modern agribusiness into one of the oldest branches of Ghanaian commodity agriculture. Unlike the neighbouring Cote d'Ivoire a major exporter of palm oil, with a significant presence of international capital/agribusiness in the organisational form typified by the four projects (Halfani & Barker,1984,51), the Ghanaian projects were primarily for satisfying the home market.

Until the three complexes were set up, the biggest plantation in the country was the 4,500 ha state-owned National Oil Palm Plantation (NOPL) at Prestea then part of the State Farms Corporation. Lying in a marginal oil palm production area, it has a potential yield of 7.5 t/ha and as of the mid 1970s shared the poor state of the parastatal farms. According to the NIB (1987,13) it had from an early stage "been severely set back by lack of funds, and consequently has had no opportunity to develop efficiency and productivity to the levels which could potentially be reached".

Its 9 tons ffb/ha mill, then the largest in the country, was chronically operated below capacity. Optimum yield of oil palm in Ghana is around 11 tons ffb/ha, with a maximum of 5.5 tons ffb/ha for traditional smallholdings and a national average of 6.6 tons ffb/ha. Traditional oil extraction averages 10% of the weight of the ffb (FAO,1989,passim). The total cultivated area of the three schemes, sited on possibly the best oil palm lands in Ghana, is about 20,250 ha (46,860 acres),<sup>23</sup> with expected average yield of 8-11 tons/ffb per hectare. They have a combined mill capacity of 51 tons/hr, with an average oil extraction rate of 21% (of total weight of ffb), and potential total output of 40,000 tons of palm oil at full production.

The World Bank funded the Kwae (GOPDC) project in the Eastern Region which was started in 1976 and has been developed in phases. As of 1989, when two phases had been completed, it had a total planted area of about 7,500 ha (18,500 ha), 4,000 ha being the estate plantation and the rest outgrower acreage. Kwae can be described as the quintessential nucleus estate-outgrower/smallholder scheme among our four projects. Outgrower production was very closely built into the conception of the scheme, and implemented with a tightness of control by the estate management over the contract farmer not present in the other schemes.

The Twifo oil palm scheme is located in the Twifo Mampong area of the Central Region and was started in 1978. Its design comprises of two linked but legally

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<sup>23</sup> According to the NIB (1987,passim) the location of BOPP, Adum Bansa in the Western region, is an area "judged to be most suitable for oil palm cultivation in Ghana; Kwae in the Eastern Region, site of GOPDC is "one of the most suitable" and TOPP is in an area of the Central Region i.e Twifo Mampong which is "favourable for oil palm cultivation by Ghanaian standards".



separate components: a) the nucleus estate with a 4,800 ha (11,860 acres) plantation and 20 tons/hr oil mill owned by TOPP Ltd, and b) a 1200 ha small holder project under the management of the parastatal Central Regional Development Corporation (CEREDEC), majority shareholder in TOPP Ltd. The development of the project was to be spread over six years, starting in 1978/79 and completed in 1983/84. The projections for its annual output at full maturity were for around 14,000 tons of oil and 2,300 tons of kernel from nearly 70,000 tons of ffb.

Development of the BOPP complex, located between Benso and Adum Bansa in the Western Region, was started in 1976. The initial phase was for a 4,070 ha (10,000 acres) oil palm plantation yielding 60,000 tons of palm fruit for the production of 12,000 tons of palm oil and 3,000 tons of palm kernel by a 16 tons/hr mill. BOPP, in which Unilever is the majority shareholder, is the only one of our projects not to have an integral smallholder/outgrower scheme.

#### **6.4. The Special Agricultural Scheme**

As indicated in Chapter 1 BOPP and TOPP were established under the Special Agricultural Scheme (SAS). The Scheme issued from NRC/SMC's Operation Feed Your Industries (OFI) programme and sought to kill three birds with stone: raise domestic agricultural production, ease the pressure on the balance of payments arising from unrepatriated earnings of foreign firms and in the process increase foreign investment in agriculture and agro-industry. As part of the OFI the government announced a far reaching policy for expanding local production of agro-industrial raw

materials. Prospective investors in agro-based industries using raw material that could be locally produced had to provide evidence of plans for their production before the Ministry of Industries would consider giving approval for their schemes. Existing manufacturing industries with potential for domestic backward integration were required to show evidence of plans for such a step by 1975. The directive also specified time-scales within which industries were to attain self-sufficiency in the local supply of agro-raw materials.

The Capital Investment Board (CIB/GIC) described SAS as "one of the tools which the government of Ghana has devised to clear the backlog of dividends accumulated over the years"<sup>24</sup>. Foreign firms with "blocked funds" were invited to invest in three broad areas of agriculture and agro-industry: "**Crops**", "**Livestock**" and "**Others**". Rice, maize, banana, cotton, oil palm, coconut, kenaf, avocado pear, groundnuts, soya beans, pineapples, tomatoes, and ginger were specifically listed under **Crops** but the proviso "or any other crops certified by the government" showed the indicative character of the list; one participating firm grew flowers for export. There was an active demand for many of the listed crops on the home market either as staples (maize, rice, tomatoes) or as agro-industrial raw material (palm oil, groundnuts, soya beans, kenaf). Others such as avocado pear, ginger, bananas and pineapples had long been promoted as "non-traditional exports"(7YP,1964,passim). The category **Others** was defined as "Back-stopping projects involving the provision of improved seedlings [for] crops such as maize, rice, groundnut and vegetables, animal feed and fertilisers, etc." (CIB,1980,2).

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<sup>24</sup> The Investor, July 1979, p. 5

"Blocked funds" for the purposes of SAS were defined as including pre-1972 180 day credits; outstanding profits and dividend remittances; and the proceeds from sale of shares to Ghanaians under the Investment Policy Decree, 1975 (NRCD 329)<sup>25</sup>. The cedi equivalent of such income must have been lodged with the Bank of Ghana which must have guaranteed transfers at the prevailing exchange rate. Normal transfers of accumulated income with the permission of the Bank of Ghana were not to be prejudiced by the automatic and priority transfers promised under SAS. Hence if the investment produced profits the investor could in principle repatriate both the previously blocked funds and profits accruing from the investment under the Scheme. Apart from the specific attractions of potential investments in agriculture and agro-industry the terms for the repatriation of blocked funds under SAS could be considered transfers at a special exchange rate, with the investment in SAS as a kind of fee charged by the state as a condition for the repatriation. The backhanded offer to foreign owners of capital was trumpeted as showing the government's determination "to ensure that the third phase of the OFY programme achieves the targets set for it".

Interlocking and somewhat involved criteria were set out for repatriation under the Scheme. All investors were offered one basic general repatriation "incentive" and five conditional ones. These are indicated in the table 1 below.

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<sup>25</sup> NRCD 329 was a "Ghanaianisation" law. It defined the sectors of the economy and proportions of shareholding foreigners were allowed leading to the compulsory outright sale of some foreign owned businesses and part of the shareholding of some.



Table 6.1: SCHEDULE OF SAS TRANSFERS

ACTIVITY/VENTURE	AUTOMATIC TRANSFERS
All first investments in SAS projects.	Equivalent of 20 % of total investment from blocked funds.
Investment in livestock or crop with maturity period of one year or more.	Equivalent of 5% of total SAS investment annually for five years from blocked funds.
Any certified additional investment in ongoing SAS enterprise.	Same as above
Investment in cattle, oil palm and coconut.	Equivalent of 15% of total SAS investment during gestation period.
After tax profits of SAS projects.	Equivalent of 5% of such profit from blocked funds and 30% of the profit itself.
Re-invested after tax profits from SAS project.	Equivalent of 50% of the re-investment from blocked funds.

From material in article *TOWARDS AGRICULTURAL SUFFICIENCY - The Special Agricultural Scheme*, The Investor, July 1979, p. 5-6.

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In other words, if blocked funds are invested, the investor should get immediate permission to transfer the equivalent of 20 per cent of the blocked funds; where the investment is in livestock or crops with gestation periods of more than a year a premium transfer of an additional 5 per cent of the investment annually for five years. In all cases if the investment produces profits a further 5 per cent of the blocked funds and 30 per cent of the profit can be repatriated. In the event of any re-investment of after-tax profits from a SAS project the equivalent of half of the additional investment qualifies to be transferred from the blocked funds.

The listed incentives were in addition to those in Part V of NRCD 141 which were standard elements of the Investment Agreements between the CIB and investors<sup>26</sup>.

These included:

- a) Automatic exemption from payment of import duty and levy on "approved" machinery and equipment.
- b) Automatic income tax holiday for five years.
- c) Special import licence for "essential" machinery and equipment, imported strictly for a SAS project.
- d) Guaranteed immigration quota for "necessary expatriate personnel".
- e) Waiver of Selective Alien Employment Tax for a period of 5 years.
- f) Accelerated depreciation of plant, building, equipment, dams, access and motorable roads and "other capital works".
- g) Exemption of management staff from income tax relating to furnished on-farm accommodation.

Generally SAS firms were expected to make private arrangements for whatever land they might need. They were however assured that where they encountered difficulties "the government will be prepared in appropriate cases, to acquire land itself under its legal powers". Also it could "endeavour to fix uniform and reasonable rents" for lands

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<sup>26</sup> Investors' enjoyment of the types and terms of the incentives contained in Part V of NRCD 141 are within the discretion of the CIB/GIC. The exercise of this discretion is defined by sections 23 and 24 of the Decree. Section 23 gives the power while s.24 bars its use in manner which "creates privileges in the competitive situation of similar investments" or "tend to the establishment of monopolies".

to be used for the scheme, presumably even in cases where the land is not compulsorily acquired. All commodities produced under SAS were to have officially guaranteed minimum prices; which prices would depend on the production cost and prevailing international prices (CIB,1980,3-4). This was the framework within which some of the most important foreign firms in Ghana invested in TOPP and BOPP.

The boosting of repatriation of earnings was clearly not seen as incompatible with another explicit rationale for the Scheme - the conservation of foreign exchange and easing of BoP strains. Investment in commodities which hitherto had consumed foreign exchange could be doubly valuable: the ploughing back of blocked funds by foreign firms would ease, at least in the short term, the political and economic pressure generated by these arrears, and successful local production would cut import expenditure. On a more optimistic longer term view the government hoped output from the Scheme would generate export earnings.

Despite all the undertakings and incentives the Special Agricultural Scheme had a poor response. By the first deadline for submission of investment proposals, June 1976, only seven investment proposals with a total value of £49.2m, just over one third of the sum of blocked funds, had been lodged with the CIB. A new deadline for project proposals yielded five more applications by the end of 1977. A number of factors account for the less than enthusiastic response from owners of blocked funds.

The central contradiction was that presumably the main priority for these foreign investors was to get their funds out whereas the government's aim was to try to get



them into new investments. This contradiction could only be resolved if the re-investment of blocked funds produced profits, preferably hard currency which would ease the foreign exchange shortages. Not long after the SAS was launched the CIB/GIC publicly lamented the credibility problem its foreign investment promotion efforts faced, despite the many *formal* incentive provisions and guarantees offered to investors. According to the CIB, investor confidence had worn thinnest on **the precise issue of repatriation of profits and dividends.**

"[T]he Board's ..efforts have been bedeviled by the country's seemingly chronic foreign exchange disability..Our role in this regard, has, especially in the recent past, not been an entirely smooth one. The familiar reference to the seasoned diplomat, as the person who *spends a very long time to say nothing*, may appear to be a rather cynical verdict. Such is the position, however inelegant it may be, in which we have found ourselves in so far as our efforts at foreign investment promotion have been concerned"<sup>27</sup>.

This was the stony soil into which the SAS, with a special regime for the export of blocked funds as its central attraction for investors, was planted by the State. On the record of the past not all firms would have found the offer of transfers of blocked funds an attraction outweighing the problems of diversification into agriculture and agro-industry.

In the nature of agricultural production even the best organised projects are prone to unforeseen natural interferences and therefore uncertainty which heightens the importance of expertise and available capital for the success<sup>28</sup>. The listed "back-

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<sup>27</sup>1976/77 Annual Report p viii

<sup>28</sup>In exchanges with the CIB over what the Board considered its excessively low equity contribution, relative to local loan funding (C400,000/3.65m) in its SAS project, SCOA made the following remarks "it is extremely difficult to find investors prepared to invest in agricultural projects which give no immediate return or in any case only a return below the interest rate paid by deposit banks (7 1/2%);

stopping projects" under the category **Others** were either of a highly specialised nature (e.g provision of improved seedlings) or potentially highly capital intensive (e.g fertiliser production). For many firms with blocked funds "taking advantage" of SAS would mean not only financial costs but a dive into an area where they had no experience; a start from scratch in a very basic sense.

The size of blocked funds held by potential SAS investors ranged from those of TNC conglomerates like Unilever, with large scale involvement in the Ghanaian economy and expertise in branches of agriculture, to those of small Asian and Arab family operations so these disincentive factors were certain to weigh more heavily on some potential investors. Apart from Mobil Oil and Glamour (owned by an Indian family) the foreign investors in the SAS projects that survived into the 1980s were the familiar pillars of the colonial export-import business: the UAC International group (a Unilever subsidiary), Paterson Simons and Paterson Zochonis; Barclays Bank and Standard Chartered Bank, and the French TNC, SCOA.

Other mandatory features of SAS constituted additional drawbacks for smaller foreign firms. The stipulation in the SAS guidelines that projects create conditions for or support outgrowers was likely to exacerbate any hesitancy over drastic diversification primarily in response to a special capital repatriation scheme. Though the conception of an outgrower scheme was not rigorously defined in the SAS proposals it appears not only to assume that SAS projects would be large scale, highly capitalised

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agricultural projects are long term investments from which a good return can only be expected after the fifth or even eighth year" [SCOA to CIB 10.5.76 in CIB A654].

undertakings possessing a fairly high level of technical and managerial expertise to guide and service outgrowers. As it turned out those firms, such as BOPP and TOPP, who could provide a high level of support for outgrowers were also those strong enough to get the state to accept interpretations of the clause which minimised what they had to do for outgrowers and left them free to implement precisely what they wished<sup>29</sup>.

The obligatory requirement for Ghanaian ownership of not less than 40 per cent of the equity of projects must have been a further impediment for some potential, especially smaller, foreign investors in SAS. From the very beginning of the Scheme Ghanaian private capital showed scant interest and what little involvement was attracted shrank as SAS projects failed. An examination of the shareholding of the eight SAS firms still alive in 1980 reveals that private Ghanaian participation was minimal. The Ghana government or parastatal organisations were majority shareholders in three and substantial minority owners of another four; all seven projects being fairly large-scale undertakings. Ghanaian private capital was not involved in the two most important of these, BOPP and TOPP but held shares in the more modest Glamour Farms (40 per cent) and SCOA Farms (eight per cent)<sup>30</sup>. Of the four SAS firms still alive in 1986 the foreign shareholders contributed only 19.5 per cent of total equity. Given the general economic uncertainties in the country and problems of agriculture in particular

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<sup>29</sup>"The nucleus farms, in appropriate cases, would be expected to provide assistance to the outgrowers. such assistance could be in the form of general extension services, provision of loans and marketing facilities" was the full statement of policy in a 1980 CIB pamphlet on SAS(CIB,1980:2). The point made about BOPP and TOPP is fully discussed below.

<sup>30</sup>The minutes of the 7/5/76 meeting of the SCOA Farms board records that the firm was finding it very difficult to get private Ghanaian investors to subscribe to the statutory 40 per cent.



it suited the foreign firms very well to have the State bear the larger share of the ownership risks in projects which enabled them repatriate blocked funds, which would generate more income if successful, while minimising losses if they failed.

Of related significance is the fact that loans, mainly borrowed from outside the country, accounted for nearly three quarters of the total capital invested in the projects. BOPP and TOPP benefited from loans contracted by the Ghana government. Those procured from outside by the SAS firms themselves were intra-firm transactions such as took place between SCOA Farms and SCOA Paris and Unilever and BOPP. Some of the blocked funds belonged to non-resident associate or parent companies to which the monies were due as dividends. In the case of SCOA Farms, SCOA Paris lent it C400,000 from blocked funds due to SCOA Paris as a compromise on the CIB's demand that SCOA take up more shares to help raise equity contribution to the initial estimated cost of SCOA Farms from barely 11 per cent to around 50 per cent. By the end of 1986 total investment, from all sources in SAS amounted to C4.96 billion cedis, more than eighty per cent of which was loans.

The overwhelming bulk of the 4.1045 billion cedis loan capital was raised by the Ghanaian state, which also guaranteed some. Some of the projects - Demco Ltd (for mechanisation of rice production in northern Ghana); Ghana Livestock Co Ltd (cattle ranching in three parts of the country); BOPP and TOPP - were partly funded by international loans contracted by the Government of Ghana. The obligations and conditions attached to these loans constituted a crutch for the benefiting firms and a source of pressure on the state to ensure the successful implementation of the projects.

Only 855 million cedis i.e 17.2 per cent of total investment in SAS came from equity contributions. Of this share capital foreign shareholders contributed under 19.5 per cent of equity, representing 3.35 per cent of total investment in the projects. On account of this equity investment permission was given for the repatriation of C124.4m of blocked funds as of 1986. In a memo to the board the of directors, the Chief Executive of the GIC acknowledged that foreign firm had not done badly out of SAS which had "not contributed much to the overall food sufficiency objective of Ghana"<sup>31</sup>.

SAS offered foreign firms other ways for capital export possibilities apart for approved transfers of blocked funds. Efforts in this direction ranged from the predictable, such as the supply of inputs at high transfer prices from related firms, to the illegal a point illustrated by two cases involving Glamour and SCOA. In 1981 the CIB found that only C5,000 (C3,000 foreign and C2,000 local) out of Glamour Farms' authorised share capital had been paid up whilst from 1977 Glamour had transferred C150,000 of blocked funds on the basis of its nominal foreign equity of C600,000. The firm was given the options of either paying up the equity or enjoying transfers only up to the level of what had been paid. It chose the first<sup>32</sup>.

SAS firms such as BOPP and SCOA Farms which were linked to TNCs already involved in agriculture signed intra-firm technical consultancy agreements some of the

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<sup>31</sup>GIC Memo: Chief Executive to Bard 7/8/87. The Chief Executive's narrow valuation of SAS in terms of food production runs counter to the explicitly stated wider aims of the Scheme.

<sup>32</sup>Glamour Farms Ltd (Integrated Poultry Project-Shai Hills) File CIB/A642.

terms of which drew queries from the CIB<sup>33</sup>. For example in September 1977 the CIB/GIC objected to an application to the Bank of Ghana by SCOA Farms for permission to transfer 399,067 FF to SCOA Paris in France. The sum broke down into 63,856.85 FF for "Know How", 160,211.01 FF for "Technical Expenses" with 175,000 FF "Annual Charges". The "know how" was described as having been provided for "land cultivation and maize marketing". The CIB opposed the application on a number of grounds including not seeing the justification for importing the particular "know how" given the local experience in land clearing and maize production. It also found that the annual charge being claimed covered a period preceding when SCOA Farms came under the SAS!<sup>34</sup>

#### **6.4.1. Fate of SAS Projects**

Those firms which held back from SAS because of doubts about the governments ability to deliver on its promises were more than vindicated. Out of the 12 projects initiated only four were still operating by 1986 the rest were killed primarily by the country's foreign exchange crisis!. The CIB/GIC acknowledges three main reasons for the poor outcome of SAS. These are a) shortage of foreign exchange for the importation of vital inputs linked to b) the failure of the state to fulfil its contractual undertaking to give priority to the foreign exchange requirements of SAS projects and c) what the CIB/GIC described as "the cumbersome nature of land acquisition procedures" and attendant expensive litigation. The correspondence between some of

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<sup>33</sup>The BOPP case is discussed in the Chapter Ten.

<sup>34</sup> Capital Investment Board File (CIB/A654) SCOA Farms Ltd.



the SAS firms and the CIB/GIC is a recitation of woe and despair about the inability of bankers to open letters of credit, the effects of delays in the allocation of licence and the inadequacy of foreign exchange support for what was granted. The fate of Ghana Industrial Farms Ltd (GIFL) and Ghana Farms (GF) are good examples.

GIFL was a poultry and crops joint venture involving CFAO (30%), Shell (30%) and Ghana Commercial Bank [GCB] (40%) which was "designed to rely heavily on mechanisation and irrigation"<sup>35</sup> making imports crucially important. It started operations in 1976. Throughout its life it never got sufficient import licence for vital, especially irrigation, equipment. The CIB's appeals to the Commissioner of Finance and warnings about the "grave" consequences of abandoning the project especially "the erosion of confidence as far as foreign investors are concerned. Confidence which the Government of Ghana has been fighting tooth and nail to build and maintain" came to nought<sup>36</sup>. GIFL went into liquidation in June 1980.

The experience of Ghana Farms (GF), one of four SAS projects abandoned between 1984 and 1986, was similar. The project was a joint venture of Freedom Textiles of Hong Kong (55%), and two local firms in which it had interests -Development Finance Holding Co. and Juapong Textiles (JTL) with the three holding 55, 35 and 10 per cent respectively of the shares. Freedom Textiles also had an interest in the Ghana Textile Manufacturing Company (GTMC) which like JTL consumed cotton lint. Ghana Farms was set up to produce 12 million lbs. of cotton annually on 2,000 acres. It was one of two SAS projects which represented attempts at vertical integration by

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<sup>35</sup> GIFL Progress report 31/1/78

<sup>36</sup>Correspondence in CIB 'A636

firms with blocked funds; BOPP was the other. In October 1980, following previous complaints about losses due to a lack of spare parts, chemicals, farm machinery and equipment, GF informed the CIB that its operations were grinding to a halt because it had not been given an import licence for the year. The 1980 Inspection Report on the project recorded that because of the situation no cotton had been planted and 105 out of 164 pieces of machinery and equipment on the project site were unserviceable.

Developments around this complaint by GF highlighted a specific major problem with the work of the CIB which affected the SAS: the lack of coordination among the various state bodies whose work and powers affected the progress of the Scheme. In fact this lack of coordination was just another manifestation of the weaknesses of the neo-colonial Ghanaian state.

In February 1981 the CIB wrote to the Ministry of Agriculture in support of GF's request for an import licence for the year referring to the project agreement which bound the government to provide an import licence. The Ministry seemed unaware of the agreement and the CIB furnished it with a copy upon request. The organisational chaos in the state machinery is ample summarised in the following section of a subsequent letter from the Principal Secretary of the Ministry of Agriculture to the CIB:

I have noted that the Agreement was between your Board and the Company primarily in connection with the consideration of certain special incentives which your Board offers to foreign investors. This Ministry has not been involved in the preparation and conclusion of the agreement and you have not until now brought it to my attention. If you make a special case for the company, I would advise that you present a special memorandum on the

subject to the Technical Committee of the Import Licence and Foreign Exchange Allocation Commission which is based in the Ministry of Trade<sup>37</sup>.

Interestingly two of the foreign shareholders in TOPP, Pasico and PZ had questioned why the shareholders in the projects and the Commissioner for Finance were not direct parties to the Investment Agreement between TOPP Ltd and the CIB. This is basically a CIB standard form of terms and incentives in the Capital Investment Decree, 1973 (NRCD 141) plus the specific undertakings under SAS. They argued that the joining of the Commissioner "is desirable to create a single line of authority for implementation of the various concessions, and would enable the approval required [under NRCD 141] to be given in the same document". The CIB however felt "the absence of the investors and the Commissioner for Finance as parties...in no way derogated from...enjoyment of the concessions in the agreement Act".

In fact very early in the life of the SAS the Board had drawn the attention of the Government to how the SAS had highlighted the problems it faced in the administration of fiscal and other investment incentives precisely because of the point made by PZ and Pasico. In the CIB's own words:

"The problem boils down to the inadequate jurisdictional capacity of the CIB to administer the incentives spelt out in the Agricultural Scheme and certain other enactments. The CIB is entrusted with the administration of the Scheme, and yet the Scheme contains incentives some of which the Board has no legal power to grant in the form of contract".

It suggested that investment contracts be with the "Government of Ghana" rather than the CIB, a formula which would attach the contract to all the relevant state institutions.

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<sup>37</sup> In CIB A/665.



The shareholders in TOPP were therefore not direct signatories to the Investment Agreement.

The gestation period of SAS was during the lowest part of Ghana's economic and political crisis which affected the implementation of all the Scheme's projects. The impact of the crisis was however far from uniform, in the main because in some cases the state's efforts to minimise it went far beyond the exchange of letters between the CIB/GIC and a Principal Secretary in a Ministry. Take BOPP, which unlike say Ghana Farms, was an extension of the plantations component of a TNC conglomerate, Unilever, with a long and extensive involvement in the production of the chosen crop. In addition to the facility offered to BOPP by Unilever's plantation experience and establishment the TNC was the most extensive and perhaps most influential foreign investor in Ghana. Such experience and clout assumes added significance given the crisis conditions in which the SAS projects struggled to take off, and enabled BOPP to get priority attention including obtaining international loan finance to surmount the problems of hard currency for necessary inputs<sup>38</sup>.

Chapters 7, 8 and 10 show that the scale and nature of state support and involvement in BOPP and TOPP amounted to their being *special projects* within the Special Agricultural Scheme.

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<sup>38</sup> Freedom Textiles' relative lack of political clout and agricultural experience is indirectly brought by a letter from GTMC to the Principal Secretary, Ministry of Industries, Science and Technology about the problems of Ghana Farms in the CIB's Files.

## CHAPTER SEVEN

### The Creation of GHASEL, TOPP, BOPP and GOPDC

This chapter examines a cluster of legal, and political economic issues centred around the alliance of state, agribusiness and the IDFI's represented in GHASEL, TOPP, GOPDC and BOPP. The discussion covers: a) the negotiation of the contracts which defined the projects what one might term *"the politics of gestation"*, and b) the relationship between IDFI's and agribusiness firms. This does not however include the terms of the management and related contracts. These are examined in Chapters Eight and Ten.

It has already been pointed out that the setting up of BOPP, TOPP and GOPDC projects constituted a technological revolution in the oil palm industry. In addition, the three projects and GHASEL, collectively and each in its own way, represented pivotal developments in the relationship between Ghana's agricultural sector and international capital. When it was signed in January 1973, the \$15.6m World Bank (IDA) loan for the GHASEL scheme was the Bank's largest ever loan to Ghana for a project not concerned with the development of infrastructure. The GHASEL scheme was also the most expensive and concerted attempt at rehabilitating and building up an element of the CPP's agro-industrial legacy.

In the 1970s oil palm was the crop that attracted the most international capital in Ghana's agriculture. Between 1976-85 Ghana received 45m ECU from the EC for agriculture and rural development. The single largest share of this, 16.91m ECU or

37.5%, was for the development of oil palm production. Nearly 82% (13.8m ECU) of this oil palm funding went to the Twifo scheme. The state-owned NOPL at Prestea was the other beneficiary (European Commission, 1986, 15). TOPP has also been financed by the Dutch and British governments, especially the latter through the Commonwealth Development Corporation (CDC)<sup>1</sup>. Britain has also provided a loan for the establishment of BOPP.

BOPP and TOPP are the most successful of the projects initiated under the Special Agricultural Scheme (SAS). The foreign shareholders in the two projects - Unilever and Barclays Bank in BOPP, and Mobil Oil, Paterson Zochonis (PZ) and Paterson Simons in TOPP - belong to the top layer of private foreign capital in Ghana. All of these firms, bar Mobil, had built up their business in Ghana during the hey-day of the colonial import/export trade. Their move into agriculture, albeit enforced, represents a belated diversification into the sector which, through cocoa, had for so long been the source of their profits. Kwae is the biggest agro-industrial establishment in the country, with the bulk of the funding coming from the World Bank. It represents the Bank's biggest ever commitment to an agricultural project in Ghana. It has put \$38.6m into the first two phases. The Bank regarded the first phase of the project as the most successful instance of its involvement in Ghana's agriculture (World Bank, 1984, 6).

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<sup>1</sup> As IDFI's which proclaim a "social conscience" the World Bank and the EDF can be distinguished from the CDC which can be described as a hybrid of an IDFI and TNC and therefore has a notion of "development" which is more overtly commercially flavoured than that which animates the EDF or the World Bank's IDA. A former top official has described the CDC as having a "split personality" (Rendell, 1976, 123). It is a statutory commercial organisation funded by the British Treasury whose investments are closely informed by British foreign "aid" objectives, including acting as a bridgehead for British private capital. In financing projects it acts like an IDFI, in taking its role as shareholder and project manager it behaves like a TNC.



### 7.1. POLITICS OF GESTATION

The range, depth and consequences of the matters that are covered by the lending conditionalities of the IDFI, especially the World Bank, are quite well known (Fatouros,1977). The inability of most underdeveloped countries to withstand the steamrolling power of these bodies and giant TNCs such as Unilever during negotiations, because of the advantage of the control of vital resources, knowledge and experience is just as well documented (Sawyerr,1977; Graham,1982). Within this basic grid, specific traits of state and national factors exert an important influence on the outcome of negotiations.

An examination of the process and content of the negotiations among the principals in our selected projects will not only shed light on how the power relations in the various agreements crystallised; it will also provide an indication of which, among the myriad issues covered by various agreements, were of particular concern to the parties, something that enhances an understanding of the formal provisions of the contracts. The data that was obtained on the gestation of our four projects is uneven: it is strongest for GHASEL and TOPP. These two cases highlight particularly:

- a) the power and influence of the IDFI and agribusiness TNCs over the determination of the nature of projects, because of the Ghanaian state's need for funding. In the case of TOPP the project became a creature of the CDC, the EDF and private foreign capital rather than what had been envisaged by its main mover the parastatal, CEREDDEC. With GHASEL a poorly designed project was rushed to expensive and abortive implementation.

- b) The near abdication of sovereign responsibility, particularly in the case of GHASEL;
- c) How other specific local factors such as conflicting policies and administrative lethargy as well as episodic paralysis, aggravated the primary weakness of the state and allowed international capital to exert an overwhelming influence on the character of these enterprises.

Subsequent discussion of the terms and operation of the agreements on the four projects and elements of the history of GOPDC will show that the TOPP and GHASEL gestation histories can be taken as largely representative of the four.

#### **7.1.1. The GHASEL Project**

The abortive five-year sugar industry rehabilitation project, funded by the World Bank and centred around the Ghana Sugar Estates Ltd (GHASEL) was started in 1973. The GHASEL scheme was a product of the flurry of Western scavenging in the Ghanaian economy after the 1966 coup. The sugar industry was one of the public enterprises that attracted the interest of a number of IDFI, including the World Bank, and some. In 1966 a World Bank mission proposed Komenda and Asutsuare as "potentially promising for Bank Group financing" (World Bank,1981,9). They were included in a 1967 FAO food industry study and were the subject of discussions between the Bank and the British Overseas Development Ministry which was also interested the industry. In 1968 Tate and Lyle Technical Services Ltd (TLTS) and Bookers Agricultural and Technical Services (BATS) carried out an in-depth study as a basis for rehabilitation of the industry. This TLTS/BATS report was to be the basis of the GHASEL scheme which the Bank put in its five year lending program for Ghana.

The implementation of the scheme was during a boom in the establishment of import substituting sugar industries across Africa following a sharp rise in world sugar prices in 1974 (Halfani & Barker, 1981, 52; Dinham & Hines, 1983, 77). Trends in world sugar supplies and prices were taken into account by the Bank but the conception of the project predated the 1974 price movements. The preparatory period of the project was during the NLC/Busia regimes over which the Bank and the IMF had tremendous influence (Libby, 1976). This clout was reflected in the extensive freedom the Bank had to shape the scheme with, it will be argued, significant negative consequences.

The GHASEL scheme was aimed at making the sugar industry profitable, with positive consequences for jobs and conservation of foreign exchange. It was expected to achieve a net annual foreign exchange saving of \$5.2m, if successful. The project was estimated to cost \$24.8m. The World Bank's IDA gave a \$15.6m credit for the project, with the rest of the funding coming from local sources: loans from the state, and investment by outgrowers. The project involved the expansion of cane production, rehabilitation of field and factory equipment, improving factory utilisation, and providing high quality management and training for Ghanaian staff. A feasibility study into the expansion of the sugar industry was also to be carried out. Overall cane acreage was expected to rise from 16,050 acres to 23,475 acres. At Asutsuare estate acreage was to go from 4,100 to 6,400 acres and outgrowers' from 5200 to 7575 acres, while at Komenda from 3250 to 4500 acres for the estate and from 3500 to 5000 acres for outgrowers. This was to be accompanied by an increase in cane yields per acre from an average of 13.8 tons to an expected 21.1 tons. Factory improvements



were expected to raise the sugar recovery rate and raise sugar output from 10,800 to 43,000 tons.

The World Bank included the GHASEL project in its five year lending programme in 1969. From then till when the project came on stream in 1973, there was a cession of sovereign decision making by the Ghanaian state to the World Bank whose decisions were heavily influenced by internal World Bank politics and external propaganda considerations. The latitude the Bank had over the shaping of the scheme is largely attributable to two factors: i) the attitude of the NLC/Busia regimes which regarded it as a fount of wisdom, and ii) following the January 1972 coup the pre-occupation of the new military rulers with consolidating and stabilising their power. This meant there was inadequate state interest in the project at a vital stage of its gestation. In the circumstances the World Bank's freedom of initiative was accompanied by delays in the settling of important issues. The Bank admits the second factor, in the narrow but important context of its failure to update the TLTS/BATS study of 1968 before proceeding with the project, but plays down its consequences (World Bank, 1981).

The Bank's decision to treat the TLTS/BATS report as an adequate basis for the project followed the Ghana government's failure to respond to an offer from the Bank, early in 1970, to help update it. By the time in December 1971 when, according to the Bank, the project was "*negotiated*", the key issues had been settled. These included the abolition of the GIHOC Sugar Products Division and its replacement by GHASEL - whose regulations, financial structure and board were subject to Bank

approval, as was the appointment of the management contractors and the distribution of costs between the Ghanaian state and the Bank. The latter was to contribute \$15.6m made up of a \$7.6m loan and an IDA Credit of \$8m.

All the above decisions were apart from a number of "*proposals*" made to and accepted by the government. Two of the more important points agreed at the December 1971 negotiations were on shareholding in GHASEL and the funding of purchases of vital spare parts from Eastern Europe. The state was to take 95 per cent of GHASEL's equity and the management contractors, upon the government's request, the remaining 5 per cent. The latter was insulated from GHASEL's fortunes and was to be paid back at the end of the management contract. Under the Bank's procurement rules, Poland and Czechoslovakia, being non-members were excluded from the countries in which Bank funding could be spent. No special funding arrangement was however made for the procurement of these spares. It was simply agreed that "foreign exchange would be made available ...or other measures taken to allow imports of spares promptly as required" (World Bank, 1972,28). A gamble was therefore taken by leaving the inputs to compete for scarce national foreign exchange. As we show in Chapter nine this proved an expensive error.

On 18th December 1971 the Ghana government, GIHOC and GHASEL signed a management and subscription agreement with HVA (Handel Vereniging Amsterdam) International N.V., a Dutch agribusiness TNC. The loan agreement with the World Bank was not signed till a year later, just a month before the January 1972 coup. Due to delays occasioned by the new regime's political pre-occupations, the Bank engaged

in more chopping and changing of the project to ensure the realisation of its five year lending program. Among other things it decided that all its funding was to be as an IDA Credit. \$1.3m that would have been interest on the \$7.6m loan was saved to cover some of the increased cost of the project. A \$15.6 million IDA Development Credit Agreement for the project was eventually signed on January 29 1973.

By the time the rehabilitation scheme started in mid-1973 what was originally conceived as a six-year exercise had been effectively reduced to a five-year one by delays. The Bank however retained the targets set at the very outset even as its own appraisal reports showed that the industry had deteriorated significantly since the TLTS/BATS Report of 1968. The decision of the Bank to base the project on a five year old study exemplified the influence of intra-Bank politics on key decisions. As much was admitted after the project failed, with a Bank report saying the move "may have been" influenced by desires within the Bank to accelerate the processing of some projects in order to boost the lending program to Ghana (World Bank,1981,39). This timid acknowledgement must be viewed within the context of the emblematic importance of the NLC/Busia regimes to Western policy in Africa at the time.

### **7.1.2. The Kwae (GOPDC) Scheme**

Like GHASEL, the oil palm project sited at Kwae in the Eastern Region is a World Bank funded venture. The complex was started in 1976 and is centred around the nucleus estate and mill of GOPDC, a wholly state-owned commercial enterprise, established in 1975 under the Statutory Corporations Act, 1964 (Act 232). The project has been developed in phases. The eight-year first phase (1975-1982) of the scheme



was initially estimated to cost \$22.5m, and the World Bank provided \$13.6m through the IDA. For the five-year second phase (1984-1988) the IDA provided \$25m, nearly 70% of the estimated total cost of \$35.9m. The establishment (first) phase included the setting up of:

- a) a 10,000 acre (4,000 ha) nucleus plantation;
- b) 3,000 acres (1,200) ha of outgrower farms, with about 240 farmers with families and supporting financial services and infrastructural and technical facilities;
- c) an oil mill with capacity of 10 tons of fresh palm fruit bunches and hour (15 tons ffb/hr);
- d) a system for collecting outgrowers fruit; and
- e) personnel training.

The enterprise was expected to have an output of 14,000 tons of palm oil (80% of this from estate fruit) and nearly 3,000 tons of palm kernel when in full production. The World Bank calculated that this would result in annual savings of around \$5m in foreign exchange while creating jobs and raising incomes of farmers who became outgrowers. Overall, it would generate "a gross income of US\$17m annually in ...a poor and relatively undeveloped region of Ghana" (World Bank,1975,21)<sup>2</sup>.

The feasibility study for the project were conducted in 1972, by the French parastatal agribusiness research/management organisation *Institut de Recherche pour les Huiles et les Oleagineux* (IRHO), on the request of the World Bank. The project was not

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<sup>2</sup> A 6,000 acre/2,500 ha expansion of outgrower holdings, expansion of mill capacity to 25 tons ffb/hr and "consolidation" of the nucleus estate, including the provision of workers' housing, were some of the goals of the second phase.

approved by the Bank until 1975 because of "delays resulting from the then prevailing economic situation in Ghana"(World Bank,1984,8). We have only some World Bank documents from which to glean what were the main issues of concern between the Ghana Government and the World Bank, and their power relations, during the negotiations that produced the Kwae scheme. The issues of focus were highlighted by the various "assurances" (i.e undertakings) that the Ghana government gave before the start of the IDA Credit and its "conditions of effectiveness". The World Bank set six conditions and got the Ghana Government to give 18 specific "assurances" on its own account and on behalf of GOPDC. The main ones were about the security of title land for the project, the overall management of the scheme and its financial organisation, and arrangements between the nucleus estate and outgrowers.

The question of management would seem to have been of greatest interest to the Bank. It believed no Ghanaians were available who could manage the project, a position it said the Ghana government shared. Before disbursement of the IDA credit, GOPDC was required to have: a) a full time managing director acceptable to the Bank; b) signed a contract with management consultants acceptable to the Bank; and c) employed a plant (oil palm) breeder; "acceptable to the IDA and on terms and conditions acceptable to the IDA". The management contractor was expected to set up a programme for the training of Ghanaians eventually to take over. GOPDC was to periodically review the programme for the likely replacement of expatriate staff with the IDA.

The undertakings that the Ghana government gave, in most cases to seek IDA approval for decisions, covered a broad range of issues. These included any changes in financial arrangements between the central state and GOPDC, the determination of prices paid for outgrower produce, GOPDC's initial prices for palm oil, and periodic consultation about its palm oil pricing policy. At least one of these undertakings on fertiliser pricing, something of importance well beyond the Kwae project, appears to amount to an easy surrender of sovereign discretion. The government undertook to inform the IDA of any changes in policy on subsidies for the price of fertiliser, which was 40% of the farm gate price in 1975. This undertaking only makes sense if "to inform" involves more than being made aware since once decided the policy is a matter of public knowledge.

The land for the nucleus estate had to be compulsorily acquired. The Bank was confident there would be no problem with this, presumably assured by Ghanaian state officials (World Bank, 1975, 6). Nonetheless the Bank got an "assurance" on the prompt "acquisition and retention by GOPD (sic) of all land required to establish a 10,000 ac Plantation prior to June 30, 1976". Specifically, state acquisition and transfer of "not less than about 3,000 acres of land suitable for oil palm planting in the nucleus plantation area" was a condition of effectiveness. In the event a delay in the provision of the first 3,000 acres for the nucleus estate became one of the factors that held up work on the project till the second half of 1976<sup>3</sup>. There was also a delay in the appointment of a management contractor and of a managing director. IRHO

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<sup>3</sup> The compulsory acquisition of the land required for the three oil palm projects encountered strong resistance from those threatened with displacement. These disputes are discussed in Chapter Eight.



returned as the management contractor, with its personnel filling the posts of managing director and plant breeder.

### **7.1.3. The Twifo (TOPP) Scheme**

The records of the CIB and the Ministry of Finance and Economic Planning (MFEP) offer a fascinating insight into negotiations and disputations that defined the character of the Twifo Oil Palm Plantation (TOPP) scheme<sup>4</sup>, fuller than for any of the other projects. These covered a range of issues: the design of the project, its financing and capital structure, distribution of shareholding, including the terms of participation of firms with blocked funds, and the provisions of the investment agreement signed between TOPP Ltd and the CIB<sup>5</sup>. One striking feature of these negotiations deserves early mention. In the key debates CEREDDEC, the initiator of the project very quickly got pushed into a secondary role by the central government. This arose from the fact that the IDFI's involved in the project preferred to deal with the government rather than a weak state-owned enterprise. CEREDDEC was totally financially dependent on the government.

In addition to CEREDDEC, TOPP Ltd has five other shareholders: Mobil International, Paterson Simons (Pasico), Paterson Zochonis (PZ), the National Investment Bank (NIB) and State Insurance Corporation (SIC), the latter two being parastatals. TOPP Ltd was incorporated in February 1977 by CEREDDEC and the NIB. The two were

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<sup>4</sup> Most of the correspondence cited in the following section are from the records of the CIB.

<sup>5</sup> The query raised by some of the investors in TOPP about the Investment Agreement has been discussed in Appendix II.

however to exert little influence on the design of the project or directly contribute much funding towards its development. The bulk of the funding for TOPP came from the central state directly and three IDFI's (the CDC, EDF and FMO). There was international involvement in the project from the earliest steps towards its realisation. The Ghana government commissioned Harrisons Flemings Advisory Services (HFAS), the agribusiness management TNC, to carry out a preliminary survey in 1975. Late in 1975 government officials discussed the possibility of the TOPP scheme with a visiting "Project Identification Mission" from the British Overseas Development Ministry (ODM) and requested assistance with a feasibility study. This was the point of CDC's entry into TOPP. It was nominated by the ODM to carry out the study, the report of which was completed in July 1976.

The core proposal of the CDC Report was for a 4,800 hectares nucleus estate, with an oil mill and an associated 1,200 ha smallholder component. The management of the smallholder part was however to be the responsibility of CEREDec rather than the estate management, i.e TOPP Ltd. The site of the scheme was on the "Hemang Lands", which had been compulsorily acquired in 1975<sup>6</sup>. Ceredec had started a small oil palm plantation in the area the previous year. The Report estimated that 10,000 ha. of land would be required and recommended that before development started there should be no delay in assessing and paying compensation for the earmarked land, a large part of which was planted with cocoa. The government formally accepted the CDC Report in December 1976, six months after it was completed. The Twifo scheme was approved and a decision taken to form TOPP Ltd. The CDC was

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<sup>6</sup> Hemang Lands (Acquisition) Decree, 1975 (NRCD 332).

informed of the government's intention to invite it "to enter into a management and consultancy services agreement with TOPP. in order to ensure, from the beginning an efficient and effective operation of the company"<sup>7</sup>. The formal Loan, Management and Technical Assistance Agreements between Ghana and the CDC were not signed till 2 August 1978. These are examined in the following chapter.

The discussions that preceded the government invitation to the CDC were dominated by two issues - the proposals for the smallholder component and the management of the whole scheme. CEREDDEC was of the firm view that the management of the project should not go to "CDC or any foreign agency. As much as possible it should be Ghanaian, but where certain skills cannot be found in Ghana, foreigners will be appointed, in which case management will be mixed"<sup>8</sup>. It argued for a selective use of foreign management personnel, with each expatriate having a Ghanaian co-manager as part of a programme of speedy indigenisation. The Commissioner for Economic Planning had also indicated to CDC that he would favour such an arrangement. The records of one meeting of state officials show a recognition of CDC's power and associated pessimism about i) CDC agreeing to become part of a "mixed management" with Ghanaians, and in the unlikely event of so doing ii) accepting the State Farms Corporation as a partner<sup>9</sup>.

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<sup>7</sup> CIB to CDC, 23 December 1976 (CIB/A652)

<sup>8</sup> CEREDDEC to Commissioner for Economic Planning, November 12, 1976, in CIB/A652 Vol 1.

<sup>9</sup> Minutes of 23 November 1976 meeting of CIB, CEREDDEC, Ministry of Economic Planning, & others (CIB A 652).



#### 7.1.3.1. The Smallholder scheme

CEREDEC's most detailed comments were on CDC's Report's conception of the smallholder scheme. The Corporation disagreed with the Report's fundamental proposal that the organisation and management of that part of the project should be its responsibility rather than of the TOPP management; it also questioned specific proposals for the financing of outgrowers and regulation of their farming. CEREDEC made five points in support of its disagreement with the CDC's proposals on organisation and management:

- a) Smallholders were expected to produce a vital 20% of the target output of fresh palm fruit under the project, which was therefore a critically important and integral part of the whole project.
- b) the management of smallholders **"represents the main organisational bottleneck of the entire project and its organisation should not be shifted onto a different organisation from the company [TOPP]"** (emphasis added).
- c) The coordination of the scheme demanded a high level of technical supervision. TOPP will have the best facilities in terms of personnel and expertise to bring about the most orderly development of the smallholder component.
- d) Considerable effort was needed to sustain the interest of participants and deal with problems during gestation; the proximity and facilities of the estate made TOPP best suited to manage these.
- e) The estate assumed direct responsibility for ensuring fruit produced by small holders met standards for the estate mill.

CEREDEC received less than vigorous support from the government for its stance on the issue and the CDC's proposals prevailed. The set of Agreements on TOPP retained the separate responsibility of CEREDEC for the smallholder scheme. In all of them "The Project" is defined as:

"the clearing and development ...of the necessary land for and the planting of **an estate of approximately 4,800 hectares of oil palms** and the construction and equipping of an oil palm processing factory...with ancillary buildings, equipment, services and facilities, **in association with the Smallholder Scheme** (emphasis added), all generally in accordance with the CDC Report."<sup>10</sup>

The Smallholder Scheme also "generally in accordance that proposed in the CDC Report" was to comprise:

"the development under the general control, supervision and management of CEREDEC of approximately 1,500 hectares of Smallholder Scheme land in the area of the Project by Smallholders each occupying (as tenants of CEREDEC...)"<sup>11</sup>.

CEREDEC and TOPP were to have an agreement under which:

"TOPP's estate will function as a nucleus estate for local smallholder development providing on terms, in addition to processing facilities, technical guidance ... and assistance with...training"<sup>12</sup>

The power of CDC as potential financier of parts of the project was almost certainly a decisive factor in the outcome of the dispute, though the firm's officials offer a different explanation. According to them a series of meetings with CEREDEC officials had brought them round to see that their objections "reflected misunderstanding of CDC nomenclature". Further CEREDEC staff had "come to more

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<sup>10</sup> Schedule 1 of Loan Agreement of 2 August 1978 between The Government of the Republic of Ghana and the Commonwealth Development Corporation.

<sup>11</sup> Clause 1 of Schedule 2 to Loan Agreement of 2 August 1978 between the Government of the Republic of Ghana and the Commonwealth Development Corporation.

<sup>12</sup> Schedule 2 Ghana-CDC Loan Agreement of 2 August 1978

clearly appreciate the various organisational aspects of the smallholder sector and the part to be played by Ceredec". CDC assured CEREDec officials that though the smallholder manager would be administratively responsible to CEREDec there would be close technical liaison with the estate management<sup>13</sup>. We shall return to the dispute about the design of the smallholder scheme in the chapter on contract farming since its details fit into the wider issues discussed there.

7.1.3.2. Funding and private foreign firms

The distribution of equity in TOPP Ltd went through a number of changes in the project's first five years. Table 7.1 below indicates the changes that took place in the distribution of shares from November 1976 to April 1981.

TABLE 7.1  
Distribution of TOPP Ltd shares (1976-1981)

Firm/Date	Nov. 1976	June 1977	April 1978	April 1981
CEREDec	40.0%	55.0%	54.0%	81.28%
Mobil	22.0	10.0	10.00	10.00
Pasico	8.0	6.0	6.0	0.72
N.I.B	-	6.5	6.5	1.3
PZ	-	12.5	12.5	4.5
S.I.C	-	-	11.00	2.2
Texaco	15.0	10.0	-	-
Shell	15.0	-	-	-
B.A.T	15.0	-	-	-

Compiled from data in CIB/GIC file, CIB/A 652.

<sup>13</sup> CDC document of 2 July 1977 in CIB/A 652



For the Ghanaian government an early disappointment was CDC's unwillingness to take up shares in TOPP. The government had expected it to join firms with blocked funds to take up a majority (60%) equity holding in TOPP Ltd, the rest to be taken by CEREDDEC and other local firms. However, in September 1976, soon after the publication of its Report, CDC indicated its unwillingness to be an equity investor in TOPP. It cited potential problems with the repatriation of dividends and unhappiness with the requirements of the Investment Policy Decree whereby Ghanaian capital would have to eventually take majority shares as the reasons. The Corporation pointed out that even if given assurances on these issues it would take up no more than a token shareholding. CDC was however ready, if invited, to give a loan towards the foreign exchange cost of the project<sup>14</sup>. It is unlikely that CDC expected the law to be changed so it could take shares in this one project. Its positions were really a roundabout way of refusing to invest in the equity of TOPP Ltd while keeping other doors open for a profitable involvement with minimal risks.

TOPP Ltd was incorporated in February 1977. As Table 7.1 above shows, the provisional allocation of shares in November 1976 gave the foreign private companies a majority holding in the company. The initial shift to a majority public sector ownership shareholding was to meet the main condition laid down by the EEC for contributing to the financing of the project. As of May 1977 the cost of the TOPP scheme was estimated at C49.02m. C18m was expected to come from equity, the rest to be met by loans. The Ghana government and parastatal financial institutions, e.g

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<sup>14</sup> Minutes of meeting held on 8 September 1976 by the CDC, the British High Commission, Ministry of Economic Planning, CIB and CEREDDEC, in CIB/A 652.

ADB, were expected to provide C15.64m in local currency loans, while C5.88m (£3m) was to come from the British government through CDC. The EEC was approached to make up the shortfall of C9.5m through the European Development Fund (EDF). The subsequent changes in the relative share of holdings was due to the inability or unwillingness of the private firms to contribute to the escalating cost of the project. The process leading to the basic change in the ownership structure of TOPP was not without ironies.

All the firms with blocked funds which provisionally held the bulk of TOPP's shares were averse to majority public sector shareholding in and management of the project. At least two of the private firms, BAT and Mobil, saw a CDC management of the project as minimising the risks of failure. They were particularly opposed to any role for the SFC. BAT was the most outspoken and laid down conditions for involvement: in addition to minority public share holding, it wanted full management authority vested in CDC rather than in TOPP's board of directors, based on a consultancy agreement of at least 12 years. The aversion to majority public ownership coincided with the official conception of SAS as involving majority foreign private ownership and investment.

CEREDEC on its part also desired to be the majority shareholder in TOPP Ltd. It was concerned about the size of foreign involvement both through equity and loans and strove for increased local participation so as to reduce foreign influence. On its own however, CEREDEC lacked the muscle to affect the situation. The funding required for TOPP was well beyond its reach. In a letter to the Commissioner (Minister) for

Economic Planning requesting financial assistance to pay for its 40% shares in TOPP Ltd, CEREDDEC admitted that. "considering the rather modest capitalisation of the Corporation, resources cannot be mobilised internally to finance our shares"<sup>15</sup>. It put two proposals before the Commissioner. The first was for the compensation money paid by the Ministry of Finance to owners of the land compulsorily acquired for TOPP to be treated as part of CEREDDEC's equity in TOPP and in turn for that amount to be added to the State's equity in Ceredec. Alternatively, the Ministry of Finance could give the Corporation a "soft loan" to finance its equity in TOPP Ltd.

When the EEC Commission indicated the organisation's willingness provide EDF funding to meet the shortfall in the original estimated cost of TOPP, it put forward a number of conditions. Its main demand was for majority public sector ownership of TOPP. The Commission considered that:

"...having regard to the generous nature of EDF assistance, such assistance should on principle be reserved for government ventures or at least for ventures in which an ACP Government has majority interest. for projects in which foreign private firms have majority interest the Commission feels that any EEC assistance should come in the form of EIB loans on strict commercial terms. Accordingly, the Commission proposes that as a condition for EDF assistance for the Twifo project, the Ghana government through Ceredec and NIB should increase its equity participation in the project to at least 51%<sup>16</sup>."

The proposed EDF loan was to be at an interest of one per cent per annum, repayable over 40 years with a 10 year grace period. The EEC Commission proposed two possible ways of TOPP benefitting from it. The Ghana government could: a) use part

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<sup>15</sup> CEREDDEC to Commissioner for Economic Planning 12 November 1976 in CIB/A652. As of June 1977 CEREDDEC had a share capital of 700,000 cedis.

<sup>16</sup> From document dated 12 May 1977 in CIB/A 652



of the amount to acquire, through CEREDDEC, the conditional majority shareholding. or b) after doing so with its own resources take the soft loan and on-lend it to TOPP on harder terms, on terms and for purposes to be agreed with the EEC. The EEC indicated its own preference for the first of two proposals and the Ghana government went along with it. C3.5m of the EDF financing was to be in the form of technical assistance to enable the TOPP pay its foreign staff, i.e CDC personnel.

So ironically the power of an IDFI made CEREDDEC the majority shareholder the latter sought to be but the consequence of this was precisely the opposite of the corporation's aim of reducing foreign influence in the project. The move towards majority public sector ownership provoked a negative reaction from the foreign private firms. While Pasico grumbled about it, the change prompted the withdrawal of BAT and Shell from the project. Thus BAT, the most insistent believer in foreign management, quit because the price of that management turned out to be unacceptable. Pasico argued that the foreign firms sought majority shares so as to ensure the success of the project hence the security of their investments. Pointing to the poor record of that favourite whipping horse, the State Farms Corporation (SFC), it expressed doubt whether majority public ownership would provide this. In fact this position carries little weight. As we show in the next chapter, TOPP provided another illustration of how ownership does not always mean control in a company. Whatever power attached to majority public sector ownership paled beside the powers of the EDF and CDC in the project contracts.

The changes in shareholding in the period after the fundamental shift between public and private holdings are primarily due to the unwillingness or inability of the private shareholders to subscribe to increases in TOPP's equity triggered by the growing cost of the project because of a high rate of inflation caused by the country's growing economic problems. The April 1978 distribution of shares reflected the state of things at the time TOPP signed an Investment Agreement with the CIB. In 1981 the cost of the project was again revised upwards to C100m, compared to C20m when the project was conceived. The revision produced another increase in TOPP's capital. The 1981 distribution of equity in Table 7.1 show shareholders' response to this development.

#### **7.1.4. The Benso Oil Palm Plantation**

Like TOPP Ltd, BOPP was a private company under the Companies Code but with some important differences. Firstly, the latter is a joint venture between foreign firms (Unilever and Barclays Bank) and the state without the mediation of public corporations Secondly, no IDFI is involved. Thirdly, the agreement under which BOPP was set up was completely different from the Investment Agreement covering TOPP. The investment agreement (Heds of Agreement) for BOPP was signed directly by the Ghana government with UAC International, and covers much more than the issues in standard CIB Investment Agreement for SAS projects such as the one signed with TOPP Ltd. It covers the nature of the project, its financing, incorporation and shareholding of BOPP, CIB incentives, provision of management and technical services for BOPP and a range of other issues. Some sections of the Heds of Agreement are examined in this chapter; the rest properly fall into that on management and related contracts.

58.4 per cent of BOPP's shares are owned by the Unilever Group (CWA Holdings 48.7% and Unilever 9.7%), paid from the blocked funds held by its subsidiary, UAC International. Under the Heads of Agreement the respective shares of UACI and the state, in BOPP, could be issued to any UAC associated firm and any statutory body the government nominates. The Ghanaian state has 40 per cent with 1.6 per cent held by Barclays Bank. A British loan of £2m financed some of its key foreign expenses. Further financing has come from loans from the shareholders, in ratios proportional to shareholding.

Development of the BOPP complex, located on compulsorily acquired land, between Benso and Adum Bansa in the Western Region, was started in 1976. The lease of the land to BOPP was paid for in the form of shares in the company. The initial phase was for a 4,070 ha (10,000 acres) oil palm plantation yielding 60,000 tons of palm fruit for the production of 12,000 tons of palm oil and 3,000 tons of palm kernel by a 16 tons/hr mill. BOPP is the only one of our projects not to have an integral smallholder/outgrower scheme. The Heads of Agreement merely requested that BOPP encourage outgrowers by providing facilities.

Unilever's investment in BOPP is the biggest single foreign private investment in Ghanaian agriculture. Compared with the other three projects, Unilever's majority ownership of BOPP's equity is striking. The nature of Unilever's relationship with BOPP makes sense once two things are remembered. The Special Agricultural Scheme provided for a linear relationship between levels of equity investment and amounts of blocked funds that could be repatriated. Given Unilever's extensive



investments in Ghana no new channel for the repatriation of profits could be ignored. Unilever has had a close control over BOPP from gestation through development, to the phase of managing the finished project. BOPP was designed and built by Unilever's Plantations Group (PG). From the very beginning, BOPP has also had management and technical services agreement with the Unilever PG.

Unilever's heavy, multiple involvement in BOPP as designer, majority shareholder, creditor, management and technical consultant, which guaranteed both ownership and management control is unique among all the foreign firms involved in any of the selected projects. This is hardly surprising since in addition to facilitating the repatriation of blocked funds, the establishment of BOPP is also a case of backward integration by Unilever to stabilise raw material supplies to its soap factory, Lever Brothers (Gh) Ltd. As argued in Chapter 6, for the bulk of other firms that plunged into SAS their agricultural projects were entries into previously unexplored areas, induced by the possibility of repatriating some blocked funds.

## **7.2. IDFI's AND AGRIBUSINESS TNCs**

It is clear from the preceding presentation that agribusiness TNCs were heavily involved in all four projects almost from inception, initially on preparatory work such as feasibility studies, project design, etc. and later as administrative and technical management contractors. In all the oil palm schemes it was the very firms that carried out or were in some way involved with key preparatory work such as feasibility

studies that returned as the technical and administrative managers. In the case of BOPP, the role of Unilever's Plantation Group (PG) as project designers and technical service consultants can be seen as a typical intra-firm transaction between subsidiaries of a TNC. In all the other cases funding by IDFI was a crucial facilitator of TNC involvement.

These cases focus attention on the relationship between IDFI such as the World Bank and TNCs, in this case agribusiness firms, which was a matter of great attention and debate in the period when our four projects were set up. The scrutiny of the relationship between IDFI and agribusiness TNCs was located in a wider examination of the factors behind the then new interest of the World Bank and other agencies in the agrarian economy and *basic needs* of the poorest countries of the Third World which created increased commercial opportunities for suppliers of goods and services in the sector (World Bank,1975; van de Laar,1976; Ayres,1983)<sup>17</sup>.

A similar mix of factors are generally cited by most analysts as accounting for the focus though they differ in the weight they give to each. These range from humanitarianism, through absorption of the Third World critique of the ideology and practices of these institutions, to aiding the cold profit lust of TNCs (Feder,1976; Griffin,1977; Stryker,1979; Williams, 1981; Payer,1982; Barker,1984; Freeman,1984). Arguing the case for a humanitarian motivation Stryker (1979,329) claims that for the World Bank the world food crisis of 1972-74 "was worth a thousand books and

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<sup>17</sup> The claims made by the World Bank for example about the intra-sectoral distribution of this increased lending has been widely challenged as part of the scrutiny that is discussed in the following paragraphs.

speeches as an impetus to new rural priorities". The other extreme is represented by Feder whose position is graphically summarised in the title he gave to an article on McNamara's famous Nairobi speech of September 1973: *"The new World Bank programme for the self liquidation of the Third world peasantry"* (Feder, 1975).

Most of the critics are in agreement that agribusiness firms have profited from this enhanced interest in Third World rural development and agriculture, with the development finance agencies acting as veritable "Trojan horses". For example Williams (1981, 17) notes that:

"Rural development is big business, offering contracts and employment to construction firms, international experts and bankers, fertiliser, chemical and seed manufacturers and distributors, officials, extension workers, and even for a short time labourers".

Payer (1982, 225) is an ardent proponent of the "Trojan horse" argument. According to her the new IDFI interest in the Third World was the product of a conscious collaboration between the IDFI's and the TNCs:

"It is not coincidental that the [World] Bank's new interest in the productive potential of the small farmer comes at just the time when large agribusiness firms are realising that their future lies not in the direct ownership of vast tracts of land, but in control over production through contracts with producer suppliers (and, at the other end, control over markets".

That agribusiness firms have had a beneficial involvement with bodies such as the World Bank is beyond doubt. This has been in at least two ways. Firstly various "policy dialogue" structures and fora enabled agribusiness firms push for the dominance of notions of development within the IDFI's that provided a market for their goods and services. A notable example was the erstwhile Industry Cooperative Programme (ICP) of the FAO composed of representatives of about 90 TNCs through



which agribusiness promoted ostensibly neutral agrarian projects (Albright,1977; Goldberg,1977). According to Jacoby (1975,96)) the ICP had a strong influence on FAO project planning and its clout extended to bodies such as the World Bank and UNDP through Inter-Agency Agreements. Such influence was of globally strategic import given the authority of the FAO and World Bank over conceptions of rural development. Green (1986,145) has noted that while international development agencies world views of rural development are not homogeneous, "in both global and national centres (including Third World) there has been an orthodoxy most clearly and lucidly associated with the World Bank and the UN Food and Agriculture Organisation".

The ICP was disbanded in 1978 amidst criticism from inside the FAO itself, by other UN bodies such UNDP and UNIDO, trade unions and independent analysts. Accusations of being a "Trojan horse" was one of the many criticisms made against the ICP. It was seen as giving the firms involved in it privileged access to the UN in violation of at least the spirit of the UN Charter (Bolton,1977; Rastoin,1981,45)<sup>18</sup>.

The second level of TNC gain from IDFI is the more obvious one of directly negotiated benefit from particular projects in which IDFI are involved. In the *basic needs* years there was a marked increase in the number of joint ventures involving the World Bank's IFC and agribusiness. Between 1972-1976 there were 12 such ventures, the same number as in the *ten years*, 1959-1969 (Payer,1982,212-213). The more

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<sup>18</sup> According to Bolton (1977,240) the demand of trade unions to be involved in the Programme to give it the tri-partism of the ILO met with opposition from the TNCs who offered to discuss such issues as they deemed fit with the unions ad hoc.

pervasive and lucrative means of direct benefit was through contracts for the supply of goods and services such as feasibility studies for, design and construction of projects funded by these bodies, supplying them with capital goods, raw materials together with managerial and technical expertise as exemplified by GHASEL, TOPP and GOPDC.

GHASEL was not the first instance of cooperation between the World Bank and HVA International. Previously the IFC had funded a sugar project in Ethiopia in which HVA was involved. (Bondestam,1975; Payer,1982,219; Dinham & Hines,1983,29). The involvement of IRHO in GOPDC contains indications of how IDFI-funded schemes provide opportunities for TNCs to maximise the benefits of economies of scale. IRHO has had a long and influential involvement in the oil palm industry of neighbouring Cote d'Ivoire. Not only does IRHO still run its own estates but some credit IRHO with being the main inspiration for the state owned SODEPALM which is the centrepiece of Ivorian oil palm production. IRHO plantations did the research into varieties and also provided the seedlings for the *Plan Palmier* launched in 1963 which turned Cote d'Ivoire into a major world producer (Marcussen & Torp,1982,80). GOPDC shares many features with SODEPALM estates (Jonah and Dadieh,1987,42).

Though the critique that opportunities are offered to agribusiness TNCs by fora such as the ICP is striking, the type of explanation of the links between the IDFI and agribusiness offered by a writer such as Payer, which can be considered as being on the fringe of an area of broad consensus, is somewhat simplistic on a number of

grounds. It is true that some features of IDFI procurement policies, for example the World Bank's international competitive bidding and the tying of purchases involving funds from bodies such as the EDF, objectively favour TNCs who control various sectors and technologies. However if these are conspiracies they are general rather than specific mechanisms which pre-date the period of IDFI funding of *basic needs* and such projects.

Earlier in this chapter we argued that the concern of IDFI with basic needs in the Third World was rooted in a mixture of factors reflecting the spectrum of seemingly conflicting reasons given by Feder, Stryker, etc. These positions are not contradictory once it is understood that IDFI serve the interests of capital in general. The scope of this function easily covers helping shore up neo-colonies threatened with destabilisation by drought and famine, financing infrastructural development which improve conditions for the profitability of specific investments in Third World countries and also directly aiding the particular ways in which agribusiness TNCs are involved in Third World agriculture.

The alliance of state, TNC and IDFI that projects such as our examples embody is a triangular relationship which bundles together determinate relations between state and TNC, state and IDFI, and TNC and IDFI. While it is true that the Third World state tends to be a relatively weak partner in the alliance it is incorrect to assume a one-sided voluntarist determination of the role of agribusiness TNCs in IDFI funded projects. Such an approach misses out on the possible influence of the other two sets of relations.



For example Payer's argument, which was referred to earlier, ignores the fact that the process of TNC adaptation and adoption of new forms of investment is partly in response to the resistance of social classes in the Third World countryside to the old patterns of TNC presence, and also the fact that ruling groups in these countries have relations of both cooperation and conflict with international business (Oman,1989: Ghai,1977,27). From another angle Payer's conspiracy theory-type explanation turns the many cases of active collaboration between Third World ruling circles and TNCs into cases of passive victimisation. It for example implies a denial of the fact that the upsurge in IDFI/agribusiness TNC involvement in African agriculture occurred in the context of real pressures for increased food production. In fact, in some such cases IDFI come in to support rather than initiate such choices. The cases of BOPP and TOPP provide some support for this contention. The two projects were aimed at increasing domestic production of a key crop. However the objective pressure to increase oil palm output does not logically lead to the particular choice represented by the NRC/SMC's Special Agricultural Scheme which hoped to attract TNC investment into large scale agriculture.

An important factor, independent of any IDFI-organised "conspiracy", which impels Third World state-TNC cooperation is the control of technology by TNCs. TNC domination of sectors of the world economy is something which confronts both IDFI and host country in the making of decisions on projects. Take Unilever, CDC and IRHO. The three organisations are world leaders in oil palm technology, not only in terms of design and management of plantation but also of crop technology. They have played key roles in defining the parameters for modern oil palm cultivation world

wide. The three are all involved in oil palm schemes in Africa, Latin America and Asia.

Unilever has been a world leader in oil palm technology for most of the century (Graham & Fleoring,1983,55). At the start of its involvement in TOPP the CDC was involved in oil palm plantations in Asia, Latin America and the Pacific. In 1989 IRHO oil palm seeds were in use in 41 countries and it claims that over the last forty years its genetic improvement programme has resulted in seven-fold increases in oil production in places (IRHO,1989,5). The CDC is considered by some to be the most active organisation as far as public sector nucleus estate-outgrower schemes are concerned (Glover,1984,1150; Graham and Floering,1984,103). By the mid 1980s the organisation was involved in nucleus estate-outgrower schemes in no less than 13 countries. In fact the CDC is credited with pioneering the use of this production form in the Third World countries in the late 1950s (Rendell,1976,277; Morgan,1980,Vol.2,ch.6).

A decision by a Third World country to adopt or adapt the technological packages created by CDC, IRHO, Unilever or any other agribusiness TNC is influenced by the conception of development that informs policy makers in the particular country. The conscious choice of ruling circles in Third World countries has been an important element of the facile rush to import technologies. Here, the state-TNC link is underlaid by a perception of the TNC as an un-problematic bearer of technological innovation (Ghai,1977,28). The alliance of state-IDFIs-TNCs in each project then is a unity of convergent and contradictory interests which are also separable into three

discrete relationships: between state and IDFI, State and TNCs and lastly IDFI and TNCs.

On this point particularly illuminating is the gestation of TOPP, where the convergence/contradiction between the motives of the state and SAS investors, the easy assumption by some of these firms of a community of interest with the CDC are affected by the dynamics of state-EDF relations. We can also note; a) the convergence and contradictions in the government's expectations of the Special Agricultural Scheme (SAS) and the motives of the firms which invested blocked funds in SAS ventures and b) the World Bank's doggedness in bringing the GHASEL scheme on stream in the face of government indifference and foot dragging, and c) the controversy about what animated the institution's interest in Third World agriculture at the time our projects were created.

The specific contents of each of the three strands in the state-IDFI-TNC alliance are important for the points of similarity and divergence among BOPP, TOPP, GOPDC and GHASEL. With the qualified exception of BOPP, the projects share two key features of contemporary trends in the internationalisation of agricultural capital, and the incorporation and subordination of the direct producers. Apart from BOPP, in which Unilever and Barclays were the majority shareholders, the main forms in which international capital participated in the four projects was through the provision of credit by IDFI with TNCs present as management/technical service contractors. Also GOPDC, TOPP and GHASEL are nucleus-outgrower enterprises.



Within their broad conformity to the dominant forms of internationalisation of agricultural capital differences in the design details of the projects, especially the relationship between the estate plantation and contract farmers and the nature of their management contracts, provide summary evidence of the weight of the different strands in the relationship among the partners. The differences in the alliances concretised in the projects can also be discerned in the distribution of costs, benefits and power among the parties in the multipartite schemes. Chapter 8 examines the distribution of costs and benefits and power by analysing the terms of the project and loan agreements of BOPP, TOPP, GOPDC and GHASEL. Chapter 9 looks at the role of contract farmers in the four projects, including design differences that have been mentioned while Chapter 10 returns to the issue of costs, benefits and power by examining the terms of the management and technical services agreements of the projects.

## **CHAPTER EIGHT**

### **Distribution of Costs, Power and Benefits**

From the preceding chapter it is clear that in each of our projects the integral involvement of international capital, and therefore the channels and levers of power, were at three levels: i) financier, ii) suppliers of managerial and technological knowledge and iii) as shareholders (with the exception of GOPDC which was a statutory corporation). This chapter examines the distribution of costs and risks on one hand and benefits and power on the other among the state, IDFI and TNCs as crystallised in provisions of the project and loan contracts of BOPP, TOPP, GOPDC and GHASEL. The discussion is divided into three parts. The first section deal with the economic and other costs and risks related to: a) ownership of and shareholding in the enterprises, b) financing of ancillary infrastructure such as roads and other utilities without which the projects would not have been economic. The second section deals with the political and economic price of land acquisition for the projects.

#### **8.1. Distribution of Financial Costs and Risks**

Under the terms of the main agreements on GHASEL, TOPP, BOPP and GOPDC the state and parastatals have shouldered the bulk of the costs, and the risks of the projects have also been borne by the Ghanaian state and parastatals. The direct and related costs of all four projects turned out well in excess of original plans because of the country's economic crisis and the level of inflation from the mid 1970s, and the higher than expected cost of land compensation. The direct cost of GHASEL at the end of the project completion period was \$45.5m (C52.5m), 183 per cent of the original

estimate of \$24.8m. (World Bank,1981, 31). The first phase of the Kwae scheme was estimated to cost \$22.5m but actually cost \$47.8m (World Bank,1984,9). The cost of BOPP more than doubled from the projected 30 million cedis in 1975 to C66 million in 1980 (UAC,1980,3). The direct cost of TOPP increased from C24.95 million in 1976 to C60 million in 1978 and went up steeply as implementation progressed. Due to the structure and sources of finance for the projects a disproportionate share of the growing costs fell on the state.

Shareholding was not the dominant form in which international capital was involved in multipartite agribusiness projects. Voting control of boards of directors was not the mechanism of power nor profits and dividends the main legal forms of hoped for benefit. Of the four projects it is only in the case of BOPP that foreign capital has a majority shareholding. Except for GOPDC the enterprises were private limited liability companies. GOPDC, a state owned enterprise under the Statutory Corporation Act 1964 (Act 232), was the only firm wholly owned by the state. GHASEL on the other hand was a private limited liability company created out of a statutory corporation as part of the legal and institutional changes agreed between the World Bank and the government. The state's 95 per cent shares in the company was paid for by the transfer of the assets of the GIHOC Sugar Products Division to GHASEL. Under section 7 of the Management and Subscription Agreement between HVA International and the Ghana Government HVA took the remaining five per cent of GHASEL's equity for \$500,000, to be called up over a three year period in instalments of \$200,000, \$150,000 and \$150,000.



The manner in which parastatals, especially Ceredec, became the majority share holders in TOPP has already been recounted in the preceding chapter. Here a key creditor imposed a condition of majority state ownership contrary to the initial assumptions of both the state and the foreign firms that took shares in the company. As we shall show, this state ownership did not come with management power and control. Ironically some of the EDF credit went to pay for the management services of CDC which had refused to risk its capital by taking shares in TOPP.

HVA only took up shares in GHASEL upon the request of the government. This isolated instance of government initiative in the designing of the project was based on a hope that such partial ownership of the enterprise would deepen the management contractor's commitment to it. The terms of HVA's equity participation, which eliminated any risk of a loss, made this expectation somewhat misplaced. Section 9 of the Management Agreement provided for a refund of HVA's investment in GHASEL "In the event of termination of this agreement for whatever cause". It can be argued that the terms of the Agreement also meant that HVA's shares were effectively paid from what it received as fees for managing GHASEL. The payment of the three annual instalments of the subscription was conditional on HVA's receipt of its yearly fixed management fees in respect of GHASEL. The fixed management fee under section 6 amounted to \$200,000, \$150,000 and \$150,000 respectively for the first three years of the Management Agreement: exactly the same sums due from HVA as share subscriptions.

Oman (1989) has argued a distinction between shareholding by a foreign firm where the primary concern of that firm is to sell resources to the enterprise in which it has shares and the cases where the foreign investor shares with its host country partner "an essential interest" of ensuring the project's ability to generate an economic surplus.

In the latter case:

"there is a convergence of interests between the foreign company and the host country participant in maximising the difference between the value of the project's output and the cost of producing that output". Whatever conflicts arise between the parties are "within the boundaries of their common interest in the project's success as an investment, e.g in its ability to generate over time an economic surplus" (Oman,1989,12).

Where however the main interest behind a foreign firm's involvement is to sell resources:

"its interest lies primarily in maximising the difference between the pre-negotiated price it is to be paid for supplying a pre-determined set of resources, and the costs that it must actually incur to supply those resources. Its concern for the future surplus generating capacity of the investment project is at best secondary" (Oman,1989,12).

Given the fact that HVA's primary interest in GHASEL was as a management contractor, and considering the terms of its shareholding in the company, it can be considered to have a seller rather than an investor's stake. The controversy that erupted over its role in the failure of the rehabilitation scheme lends some support to this view<sup>1</sup>.

Unilever's equity in BOPP, very much an investment given the totality of Unilever's involvement in the enterprise, does not have the immunity against risk that was enjoyed by HVA's shareholding in GHASEL. The risks to the enterprise's viability

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<sup>1</sup> See Chapter 10.

and profitability were however considerably reduced by the terms of the Heads of Agreement under which it was set up. The broad range of incentives, exemptions and privileges granted to the enterprise and the foreign partners under SAS and various laws, were augmented with a special conditional guarantee of government subsidy during a crucial five year period. Section 8 (2) (a) of the Agreement provided that:

"For a period of five years commencing with the first financial year of BOPP in which its output of palm oil exceeds 5,000 tons, Government will afford BOPP a guarantee of minimum return as follows. If in any year in respect of which this guarantee is operative the total net revenues received by BOPP are, before tax, less than 4% of capital employed, Government shall make a payment to BOPP of such sum as shall be required to render the net revenues received by BOPP, before tax, 4% of capital employed for such year<sup>2</sup>."

Considering that BOPP had a virtual seller's market for its output because of the gap between national consumption and output, especially considering the demand represented by the raw material needs of the associated Lever Brothers', this additional guarantee amounted to armour plating Unilever's capital against extremely minimal risks. This view is supported by the fact that, in BOPP's own words: "the project became profitable in 1982 - three years earlier than forecast in the project proposals"<sup>3</sup>. This was not all.

The firm also secured favourable terms for some of its lending to BOPP. Under the Heads of Agreement Unilever and the Ghana Government were to provide BOPP with interest free loan finance totalling C11m divided between them according to their

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<sup>2</sup> "Net revenues" was defined in section 8 (2) (a) as "trading profit less commercial depreciation and interest as shown in the audited accounts of BOPP for the year in question" "Capital employed" is "fixed assets net of commercial depreciation, plus current assets less current liabilities, as shown in the audited balance sheet of BOPP at the end of the financial year preceding the financial year in question".

<sup>3</sup> Benso Oil Palm Plantation Limited - submission of Phase 2 Extension proposals to the Ghana Investment Centre, 8/1 '88.



equity, i.e Unilever was to lend 60 per cent of the amount (£6.6m). While this initial sum did not qualify for transfers under SAS any

"further finance provided or procured by UACI or its associated companies...in respect of which no exchange control permission under the Exchange Control Act 1961 (Act 71) has yet been granted for the remittance of the same to the United Kingdom shall be regarded as an overseas investment by UACI and shall be afforded full recognition as such and shall be an investment qualifying for the benefit of the transfer facilities set out in Paragraph 70 of Part I of Chapter IV of the Ghana Budget Proposals for the Fiscal Year 1974/75" (emphasis added).

This provision represents a special extension of the repatriation privileges under SAS which on the face of it covered only investments in projects.

The significance of this privilege is heightened by the fact that BOPP, unlike the contemporaneous TOPP, failed to deliver one of the main official goals of SAS: attached contract farmers. Under section 7 BOPP merely undertook to develop and maintain facilities for the "encouragement of outgrowers" (emphasis added) totalling no more than 3,000 acres. These facilities were:

- (1) provision at cost of suitable seedlings;
- (2) advice on cultivation;
- (3) guaranteed purchase of all fruit grown by outgrowers and delivered by them to the mill, at prices determined by BOPP; and (emphasis added)
- (4) sufficient capacity in the mill to process fruit purchased from outgrowers.

Predictably BOPP has not developed a contract farmer component. On the experience of TOPP and GOPDC the lack of interest from the nucleus estate doomed that part of the project. BOPP's intention to do no more than the bare minimum required under

the Agreement was manifest very early in the life of the project. Late in 1979 it informed the CIB/GIC that an area for potential outgrowers had been earmarked and BOPP's nursery had enough seedlings to supply for planting. Remarking the absence of any progress on the scheme it drew attention to the fact that "it is the responsibility of the government agency concerned to organise and finance farmers on this project. A scheme was drawn up by BOPP and sent to the Ministry of Agriculture but nothing has been heard of it<sup>4</sup>. Although BOPP has been buying palm fruit from farmers in its neighbourhood it is an uncertain relationship. For example in 1982 the firm provided transport for carrying fruit from selling villages but withdrew the facility the next year resulting in a dramatic drop in its purchases from farmers (Dadie and Jonah, 1987, 28).

Unilever's advantages under the Heads of Agreement were sealed by two other provisions of the Heads of Agreements that read like terms in a 19th century concession contract. Under section 6 (5) (a) the Government agreed to fetter its sovereign discretion and accepted to have the Agreement override any existing legislation and also insulate its terms against future legislation. Section 6 (5) (a) provided that:

...In the event of any apparent conflict between the terms of this Agreement and any existing legislative provision, the terms of this Agreement shall prevail, and if necessary Government shall procure that BOPP shall be specifically exempt from any such legislative provision"(emphasis added),

while section 6 (5) (b) reads as follows:

Government hereby guarantee that the value of the concessions and benefits to be granted to BOPP in the terms of this Agreement will not be withdrawn, negated or reduced by subsequent legislation. In the event of any general legislation being introduced after the date of this Agreement which, if applied

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<sup>4</sup> BOOP to CIB. 1 November 1979 in BOPP CIB/672.

to BOPP, would have the effect of withdrawing, negating or reducing the value of any concessions or benefits to be granted to BOPP in the terms of this agreement, the Government will procure that BOPP will be specifically exempt therefrom or from such parts thereof as shall be appropriate.

This unbalanced contract was sealed by Section 13 on breaches and repudiation of the Agreement which makes no distinction between material and minor breaches, flatly providing that:

The provisions of this Agreement are not severable and any material breach of such provisions by any party shall entitle the other to repudiate the whole of the Agreement without prejudice to any other remedies it may have"<sup>5</sup>.

The foreign shareholders in TOPP did not enjoy the minimisation of risks granted to Unilever but we can cite at least one instance where a moot point was officially resolved in their favour because of anxiety about their continued participation in the project. In August 1978 the cedi was devalued from C1.15 to C2.75 against the US dollar. Following the devaluation the Bank of Ghana sought to calculate SAS repatriations at the new exchange rate. PZ, Mobil and Pasico objected to what they saw a variation of the terms under which they had agreed to invest in TOPP and refused to meet a scheduled call to pay up for a tranche of shares. In a plaintive letter to the Bank of Ghana, copied to the Commissioner for Finance and Economic Planning, the management of TOPP urged a concession to the three firms on the issue. The request was acceded to. Among other things TOPP argued that:

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<sup>5</sup> Compare this to sections 2.04 and 2.05 of the Ghana Government - CDC Loan Agreement on TOPP where the grounds for repudiation of the contract not only distinguish between "material" and "minor" breaches "unlikely materially and adversely to affect the progress and viability of the Project" but also go on to detail those breaches which are deemed "material". The Management and Subscription Agreement between Ghana and HVA for its part provides in Section 12 (b) (ii) for a process of notification of "material" breaches, period for rectification before repudiation by either party.



[It] relies heavily on foreign investors' funds, any delay in or cancellation of commitment to subscribe will seriously jeopardise not only planned development programme but also CDC and EDF Loan Agreements...The credibility of the CIB is very much at stake. Foreign shareholders will only participate in schemes like TOPP if they can see some tangible benefit accruing to them from their investment<sup>6</sup>.

Changes in the value of capital due to shifts in exchange rates are a fact of economic life, hanging over investment decisions everywhere though more so where the local currency is weak. In that sense TOPP's foreign shareholders did not face a special problem; there was nothing in the letter of the Investment Agreement TOPP signed with the CIB/GIC about the effect of a devaluation so it would appear the Bank of Ghana was following its established practice in this area<sup>7</sup>.

On the face of it the claim that TOPP "relies heavily on foreign investors' funds" is strange. The strategic shift from a planned majority foreign private ownership of TOPP to a majority ownership by SOEs was quickly followed by a decline of the shareholding of firms with blocked funds. Even at the time the TOPP Project Agreement was signed in August 1978 the expected equity contribution of the foreign private firms was no more than 9.5 per cent of the total costs of the project. Excepting Mobil, which increased its percentage shareholding, these firms were either unwilling or unable to subscribe to new shares created to meet the ever increasing costs of the project, which saw the number of ordinary shares increase five fold by the

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<sup>6</sup> TOPP to Bank of Ghana, 19/3/79, in CIB/A652, Vol 2..

<sup>7</sup> See Investment Agreement of 10 April 1978 between the Capital Investment Board and Twifo Oil Palm Plantation.

end of 1980<sup>8</sup>. In fact, as the costs grew whatever contribution the foreign firms made became crucial as the government had increasing difficulty in shouldering the spiralling costs.

In July 1980 an internal government report on TOPP said "the assumption of government's ability to provide local financing has proved heroic"<sup>9</sup>. The memo suggested two possible ways of spreading the cost of the project: a) re-negotiate it with the EEC, or b) sell TOPP shares to private interests, which latter option was not seen as very hopeful. The writer of the report felt, "the trouble here is how to get people to release hoarded money to acquire shares since by so doing they expose themselves to the risk of public scrutiny."<sup>10</sup>

The idea of a possible renegotiation of the project with the EEC has to be understood in terms of some features of the financing plan of the project which provided for a third of TOPP's 1978 estimated cost of £60m to come from equity and the rest from loans. The EDF provided a loan of 6.8m EUA to the Ghana Government part of which (£3.1m) went to fund some of Ceredec's shareholding in TOPP, with the rest going towards the £40m loan capital. The CDC's 3m loan for the palm oil mill also

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<sup>8</sup> We do not have figures for the amount of blocked funds held by the foreign shareholders in TOPP, i.e. Mobil, PZ and Pasico. It is however a fair assumption that Mobil, one of three biggest retailers of petroleum products in Ghana would have built up substantially bigger blocked funds than either PZ or Pasico, both medium sized trading houses.

<sup>9</sup> "Report on visit to TOPP" dated 26/7/80 in Ministry of Finance and Economic Planning Files on TOPP.

<sup>10</sup> This comment must be understood in the context of the national atmosphere fostered by the three month rule of the AFRC between June 4 and September 24 1979. The AFRC's "house cleaning" anti-corruption drive had drawn attention to many instances of illegally acquired wealth. See Okeke (1981).

formed part of this loan capital, the remainder of which, £28.37m or 71 per cent, was to come from the Government or its agencies. Equity therefore was not the most burdensome part of TOPP's spiralling demands on the State treasury. As the cost of the project grew, the proportionate burden represented by the government's share of loan financing increased since the CDC and EDF loans were fixed as one off contributions both of which were conditional on majority public sector ownership of TOPP. While the EDF's contribution went to cover vital overseas expenditure, the ownership condition constrained any possible recourse to increased private participation to ease the government's financing difficulties. A renegotiation with the EEC might at least result in increased EDF funding<sup>11</sup>.

## **8.2. Land and Infrastructure**

The state played a crucial role in ensuring the existence of the social conditions for the economic success of the enterprises. In its analysis of the relative failure of SAS the CIB/GIC cited "the cumbersome nature of land acquisition procedures" as one of the factors for the poor response of firms with blocked funds. "Litigation over ownership or title to land is usually expensive and time consuming. It therefore takes a long time for investors to make up their minds to venture into large agricultural projects" (GIC, 1987, 14). The role of the state in the provision of land for TOPP and BOPP stands out as a particularly striking aspect of the special status that the two

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<sup>11</sup> Section 8.02 (2) of the CDC Loan Agreement provided for majority ownership by the "Government or Government appointed, controlled and financed institutions" during the life of the Agreement. Barring termination for breach the loan would be fully repaid in 2000. Meantime the same Agreement, section 8.01 (2), required that the Government "will at all times make or cause to be made available to TOPP all moneys..." needed for the completion of the Project in accordance with the provisions of the CDC Project Agreement". The total effect of these provisions amounts to a lot of power in the hands of the CDC for lending 10 per cent of the originally estimated cost of the project.



enterprises enjoyed relative to other SAS projects. The state's financial difficulties in respect of TOPP had two other dimensions: the cost of compensation for the compulsorily acquired site of the project and providing communication infrastructure, linked to the terms of the CDC Loan. The costs the state bore, the political risks it took, including the deployment of its coercive powers against recalcitrant land owners to ensure that the two SAS projects and GOPDC got the land they needed, was mainly due to the pressure exerted by the international partners in the schemes.

To meet a condition of the World Bank credit for the Kwae project (World Bank, 1975, 7) the government acquired a 25,000 acre area and leased the 22,000 acres which was deemed suitable to GOPDC for a 50 year term for a total rent of C1,396,170<sup>12</sup>. The government also undertook to build a 10 mile road in the vicinity of the nucleus plantation and also maintain all roads within a 15 mile radius of the plantation to a standard that would enable their use by seven ton lorries at all times.

The CDC's obligation to advance moneys under its Loan Agreement with the Ghana

Government was conditional, among others, on:

the ownership of land required for the Project having been acquired by the Government and a lease or leases or a sub-lease or sub-leases having been granted to TOPP for a term of not less than 50 years from the date thereof at a rent equivalent to not more than C5.00 per hectare per annum when averaged throughout the first 25 years<sup>13</sup>.

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<sup>12</sup> The annual rent, on rising scale till the 22nd year of the lease, was spread as follows: Year 1-7 = C5,530, 8-14 = C11,060, Year 15-21 = C22,120 and Year 22-50 = C38,800.

<sup>13</sup> section 2.03 (2).

The part of the country where TOPP was located was particularly poorly served by roads. The government was also required to provide means of access and communication suitable to the Project within 18 months of the Loan Agreement. The Financing Contract with the EEC also required the government to "provide evidence to the Commission of the issue of a sublease to the Company of the required land"<sup>14</sup>. The CDC's Feasibility Study for TOPP recommended that 25,000 acres would be needed for both the nucleus estate and smallholder components of the project. The identified site formed part of the over 190,000 acres of "Hemang Lands" which had been compulsorily acquired by the state in 1974, "free from all encumbrances whatsoever, as land required in the public interest", with retroactive effect from 21 February 1973<sup>15</sup>.

The Heads of Agreement on BOPP imposed a similar obligation on the government to "grant or procure the grant to BOPP of a lease" in respect of the piece of land earmarked for the plantation. Unlike the case of TOPP, where the state's responsibility for compensation and other expenses connected with the land are implied the BOPP Agreement spells out the responsibility, providing for the Government to:

"discharge all outgoings of whatever nature in respect of the land and premises to be demised...and take all such prior steps and be responsible for all payments of compensation required to ensure that the whole of the land is handed over to BOPP...with full vacant possession and free from all encumbrances".

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<sup>14</sup> section 4.4 of Annex 2 of EC Financing Contract quoted in MFEP document "Land Access for TOPP", n.d.

<sup>15</sup> State Lands (Hemang - Lands Acquisition) Instruments of 1974, E.I.s 61 and 133, replaced in 1975 by Hemang Lands Acquisition Decree, 1975 (NRCD 332).

The agreement provided for a 50 year lease to BOPP at an annual rent of C 1.50 per acre, to be reviewed after the first 10 years. In addition the state was to provide "adequate communications", including a direct telephone connection and local roads giving access to the plantation were to be made up and maintained so as to support "heavy traffic"<sup>16</sup>.

The areas acquired for the three oil palm projects are the best oil palm land in the country which already had farms and settlements<sup>17</sup>. The World Bank's Appraisal Report on GOPDC barely gave a thought to the problem of land acquisition, blithely asserting: "There does not seem to be any problem in acquiring the land needed for the nucleus plantation" (World Bank, 1975, 6). There are however few happy histories of compulsory acquisition and displacement of large numbers of farmers and the cases of GOPDC, TOPP and BOPP GOPDC followed the pattern of landholders resisting displacement and disruption of their established livelihood<sup>18</sup>. In all cases the disputes resulted in an increase in the share of project costs the state had to shoulder and delays in estate development schedules at GOPDC and TOPP. This was particularly so in the case of TOPP where local resistance was particularly intense. The evolution of the disputes around land for TOPP, BOPP and GOPDC exposed a number of problems and limitations in the conception of the projects and inadequate consideration of

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<sup>16</sup> Section 9.

<sup>17</sup> According to the NIB (1987, passim) the location of BOPP, Adum Bansa in the Western region, is an area "judged to be most suitable for oil palm cultivation in Ghana; TOPP is in an area of the Central Region i.e Twifo Mampong which is "favourable for oil palm cultivation by Ghanaian standards" while Kwae in the Eastern Region, site of GOPDC is "one of the most suitable".

<sup>18</sup> See Konings (1986, 270-281) for an account of the contemporaneous traumatic experience of peasant households displaced by state acquisition of their ancestral lands for the Vea and Tono Irrigation projects in the Upper Region.



others. These problems were compounded by government administrative inefficiencies and confusion.

In all three cases the resistance of the local people had three main elements: a) hostility to the threat of expropriation and displacement, b) disputing the terms of compensation they were being offered for their lands and c) suspicion about the proclaimed beneficial impact of the projects on their lives. In 1982, with the survival of TOPP threatened by peasant resistance to expropriation, the government drastically reduced the area of the compulsorily acquired Hemang lands from 190,784 acres to the essential core required for the project, some 35,000 acres and returned the rest of the land to their original owners<sup>19</sup>. In 1986 continuing resistance from landowners and the size of the compensation bills forced the government to return more than 7,000 acres out of the land acquired for GOPDC to the owners. This did not affected oil palm plantings, but instead of being an area for smallholders on GOPDC owned land as originally intended, the oil palm farmers on the released lands retained title to the land and therefore were categorised as outgrowers.

At the three sites, controversy about the terms of compensation being offered by the state quickly became a crux of landholders resistance to expropriation. In all cases the official computation of compensation was based on the numbers of "economic trees" on the affected lands. mainly cocoa and oil palm in the instant cases. At the existing official rates a mature cocoa tree was worth 50 pesewas and an oil palm 25 pesewas. A 1976 survey of the TOPP land estimated compensation due to affected farmers at

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<sup>19</sup> Hemang Lands (Acquisition) (Amendment) Law, 1982 (PNDC Law 29).

C3.96 million based on the assessment that the 10,000 ha area had just under 8m cocoa trees on it. At Kwae the area earmarked for GOPDC was officially valued at C 745,092, while the BOPP land was valued at one million cedis. In all three cases these proved to be wild underestimates. As of 1985 the government faced compensation claims of C104.3 million in respect of GOPDC, of which nearly C88 million had been paid. At Twifo a total of C8.8 million had been paid out in compensation by mid-1981, releasing 1,700 ha of land compared to the original estimate that C1.3 million would pay for 4,800 ha; as of 1986 C18m had been paid but there were still outstanding claims. At BOPP C2.5 million was paid to just two claimants for the destruction of their oil palm plantations totalling 380 acres (Dadieh and Jonah, 1986, 29).

In the cases of TOPP and BOPP the escalation of compensation payments was doubly expensive for the state because under the project agreements the estimated value of the land was taken as part of the government's contribution to the equity of the two projects and shares accordingly issued against the capitalised values. In the case of BOPP the C1m valuation amounted to a mere 15.4 per cent of the value of the government's 40 per cent equity or 6.2 per cent of total equity. At TOPP the estimates placed the capitalised value of the land at 3m shares, out of TOPP's 20m shares at a cedi per share, to be awarded to Ceredec. The undervaluation of all three sites meant that the government's contributions to the capital of the firms were understated and inadequately reflected in shareholding. The effective subsidy to the

two projects is particularly noteworthy in the case of BOPP, a TNC dominated undertaking, which we have already shown enjoyed many privileges<sup>20</sup>.

The discrepancy between the estimated and actual sums paid in compensation was the result of the government having to give in to landholders demands for a higher valuation of the affected crops, particularly of cocoa and oil palm trees. Farmers displaced by GOPDC and BOPP based their demand for a higher valuation primarily on economic grounds, the 50p and 25p rates being offered by the government having remained unchanged since 1946. Farmers affected by the creation of BOPP demanded between C5 and C8 per cocoa and oil palm tree. A letter of November 24, 1977 in support of their claim pointed out that oil palm and cocoa seedlings were selling at no less than one cedi each (in Dadieh and Jonah,30). At TOPP the economic argument for a higher rate of compensation, C8.00 per cocoa tree making a total compensation claim of C63.4m, was buttressed with a legal one. A letter sent to the then President, Dr Hilla Limann, by the District Chief Farmer of Twifo and others, graphically presents the farmers' argument. It offers a picture of their economic condition and mood, particularly the lack of faith in government promises, three years after the establishment of TOPP:

We the undersigned farmers in the Twifo Area have cause to suspect and believe that our economic plight is being jeopardised by Government's acquisition of our cultivated lands...on behalf of all displaced farmers, [we] wish to resolve here and now on the following points:

1. a) that the current rate of 50p per cocoa tree is quite meagre and out of tune with present circumstances; b) that we want the government to make a firm commitment as to the new rate payable, since at one meeting with the

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<sup>20</sup> According to Dadieh and Jonah (1986,29) a memo by the Attorney General's Department in November 1983 noted the inadequacy of the capitalised value of the BOPP lands "bearing in mind the cost of acquiring the land".



then Regional Minister, we were made to understand that due to the lack of adequate funds, government could only afford 50p at that time. Our claim for the payment of £8 per tree is supported by L.I.1231 [Under AFRCD 47] gazetted on 22/9/79 which specified £8 per tree; c) that we accepted 50p per tree as part payment leaving a balance of £7.50 per tree, due to our financial obligations at the time...

2. We would like to place on record that we are not much impressed with the handling of the compensation issue. We have tolerated the frustration for too long, which has compelled most of the affected farmers to sell their chits at discount, in order to meet their daily mounting financial commitments<sup>21</sup>.

The inevitable delays caused by the dispute over compensation rates and associated hardship to displaced persons, such as mentioned by the Twifo farmers were compounded by a catalogue of other government failings and bureaucratic confusion, bordering on insensitivity to those whose lives had been uprooted to make way for the oil palm projects. At all three sites there were delays both in assessing the compensation and making the first offers of payments to affected persons. At Kwae there was "slowness of Government in compensating and arranging resettlement for the [GOPDC] land's original occupants" (World Bank, 1984, 9). At TOPP there was other bureaucratic bungling in the form of monies being paid to the wrong people, unsystematic payments where some farmers on contiguous plots (which formed a single whole for estate development) were paid while others were not resulting in work on the whole area being held up. Poor coordination between government departments was another dimension of the inefficiencies. On at least one occasion after the Ministry of Finance had written to the Ministry of Lands and Mineral Resources effectively partly blaming the compensation feud on its inefficiencies, the

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<sup>21</sup> "Chit" a generic word for IOUs derived from a practice in the cocoa industry where Marketing Board gave farmers IOUs instead of cash. By discounting his/her "chit" a displaced farmer sold the expropriated interest in the land, the buyer then becoming entitled to collect the compensation due.

latter for its part told TOPP that the failure of the Ministry of Finance in not releasing sufficient money for the payment of compensation was fuelling the problem<sup>22</sup>.

At the height of the land dispute around TOPP some of the farmers complained that no one had told them that their lands were being compulsorily acquired for the project and sought guarantees of resettlement before giving up their plots. There were similar experiences around GOPDC. Dadieh and Jonah (1987,41-42) cite highly revealing minutes of a 1981 meeting where no less a person than the Principal Secretary of the Ministry of Lands lamented the failure to consult those displaced by GOPDC resulting in them being left without land for food farming, and also the fact that the project had been "executed without proper consultation with counterpart ministries"<sup>23</sup>. The Chairman of that meeting lamented the failure to undertake a sociological study ahead of "such a large scale project" and the fact that "the interests of the human beings to be displaced were put in the background".

Against this background it is hardly surprising that a senior civil servant, concerned about what he identified as " a total lack of commitment of local people" to TOPP thought this was because "they have been insufficiently educated about the economic benefits and other advantages for the area of the project". As "initial step to whip up the enthusiasm of the local people and also to improve labour supply for the project",

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<sup>22</sup> Minutes of meeting between officials of TOPP and Ministry of Lands and Mineral Resources 22/7/81.

<sup>23</sup> Apart from indicating yet another instance of poor intra-state coordination the remark is curious coming from a senior official of the Ministry which normally deals with land acquisition matters. Interestingly the World Bank's Staff Appraisal Report (1984,11) for the Second Phase of GOPDC mentions "the autonomy and the freedom from constraints of normal civil procedures, which allowed the project to organise efficiently its operations in land clearing and development, crop production, (emphasis added)..." as one of two major factors that contributed to the success of Phase One.

he put his faith in a time worn manoeuvre, proffering "the need to put a local man on the Board [of Directors], preferably a chief or an elder who wields considerable influence on the people"<sup>24</sup>.

The official treatment of the rural communities and local farmers affected by the oil palm projects contrasts sharply with the government's response to complaints from its international allies in TOPP when the land disputes around the project came to a head in the middle of 1981. Official documents of the period reveal an attitude of anxious obsequiousness towards the EEC and CDC on one hand and a growing intolerance of a peasantry bent on obstructing a "development" project.

The land dispute which had plagued TOPP from the very beginning had been the subject of continuous communication and discussions between the TOPP management and a number of state institutions, especially the Ministries of Finance and Economic Planning and Lands and Mineral Resources, with TOPP regularly informing government officials of the difficulties the project faced as a result of the land dispute. The exchanges provoked a number of meetings between representatives of the affected communities and government officials. Between October 1980 and July 1981 the problem became a crisis with TOPP unable to get access to any new land during that eight month period because of the resistance of landholders. This was in spite of the fact that some compensation was paid out in the period, for example in December 1980 C\$3.8m was paid out to claimants. Farmers refused to allow work to continue

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<sup>24</sup> Principal Secretary, Ministry of Economic Planning to Secretary to Cabinet, 15/12/80 in MFEP file "TOPP Nov 1980-November 1981".



because they were disputing the rate of compensation and also because they claimed that in fact a large part of areas already taken over by TOPP had not been paid for.

At the end of 1980/81 planting season, roughly coinciding with the 17th board meeting, planting was 25 per cent behind schedule (see Table 8.1); the smallholder component had not been started at all. Meantime the nursery had enough seedlings to plant 1450 ha in the 1981/82 season but no land was available for clearing. Faced with this situation TOPP's board of directors, at its 17th meeting on June 24, 1981, decided to: a) stop further purchases of seeds; b) suspend attempts at clearing more land; c) to put area so far cleared (1617 ha) under care and maintenance once planting completed and d) initiate a feasibility study into the viability of establishing a factory, with a third the capacity of what was originally planned, to process fruit from the reduced acreage.

TABLE 8.1.

Official Development Programme for TOPP

YEAR	ESTATE (ha)	S/HOLDER (ha)
1978/79	100	-
1979/80	800	-
1980/81	1200	100
1981/82	1200	300
1982/83	1200	400
1983/84	300	400
Total	4800	1200

From: Twifo Oil Palm Plantations Limited - *Land Access for Twifo Oil Palm Project* (c. September 1980).

The decisions of the TOPP board were triggered by expressions of deep dissatisfaction with the state of the project by the two main international financiers, the EEC and CDC. An EEC official had told the crucial board meeting that his principals were extremely concerned about the hold up of progress on the project. He made clear that if there was not "immediate and drastic improvement" in the situation the EEC would have to re-consider a renegotiation of the existing loan commitment. The CDC official at the meeting offered more menacing news. After expressing the CDC's disquiet with the project's persisting land problems, "despite many verbal and written undertakings and reassurances from Government" he informed the board that CDC had decided not to allow any draw down of funds under the Loan Agreement until such a time as: a) total nucleus estate area (4800 ha) had been released to TOPP with all compensation paid and totally unencumbered; b) satisfactory sub-lease had been granted to TOPP<sup>25</sup>; c) real progress had been made on the smallholder scheme. CDC was not going to accept any more verbal assurances from the government.

The TOPP board also decided to send a delegation to meet the Vice-President to inform him that if the various problems, primarily the land controversy, that were impeding the establishment of TOPP were not resolved within two months, (i.e by end

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<sup>25</sup> The land problem was complicated by yet another instance of bureaucratic bungling: despite repeated reminders the Lands Department had failed to alter some of the terms of the Lease under which the area of TOPP had been granted to Ceredec, so as to enable Ceredec to sub-lease the land to TOPP. According to the construction schedule tendering for the construction of the oil mill was to begin in August 1981 but the absence of a valid sub-lease to TOPP contravened the terms of the CDC Loan Agreement.

of August) "there was a real possibility that foreign investors would withdraw and the project would either cease or continue only in a much reduced form"<sup>26</sup>.

The EEC and CDC threats provoked anxiety and generated frantic government activity. The underlying concerns of the moves were succinctly put by an internal government memo:

The grave consequences of the project with international financing collapsing can hardly be exaggerated. First of all the planned desired economic and developmental impact of the project will be missed. Secondly it is bound to adversely affect further future investment in the country with serious economic and political consequences. Finally a project inaugurated by the President of this country can hardly be allowed to suffer such a fate for the sake of the image of that high office<sup>27</sup>.

The contrast between the government's concern to remain on the right side of the EEC and CDC while willing to antagonise some of its own people is sharply captured in letters written to the two organisations about steps being taken to avert a collapse of TOPP. On 20 August 1981 an anxious Ministry of Lands and Mineral Resources informed the General Manager of the CDC that the "Government has recently taken firm measures to ensure that the few hectares of land remaining for the completion of the project are made available for entry by the Company". According to the letter "valuers of the Lands Department are feverishly working on the enumeration of crops of the land to enable the Government pay compensation..." The underlying power relationship between the two parties is captured in the concluding paragraph of the letter:

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<sup>26</sup> Extracts from minutes of 17th TOPP board of directors meeting attached to letter of 25/7/81 from General Manager, TOPP to National Authorising Officer, ACP.EEC/ECOWAS Secretariat at MFEP.

<sup>27</sup> Notes on Twifo Oil Palm Project in MFEP files on TOPP. c. September 1981.



With this I wish to assure you of my government's serious determination to see that the project's aims and objectives materialise within the shortest possible time...I sincerely hope your organisation will continue to show sustained interest in the project in spite of the recent problems posed by the owners of the land<sup>28</sup>.

A similar tone can be discerned in a separate letter to the EEC written after the enumeration had been completed. The letter also contained indications of other "firm measures" to deal with the "problems posed by the owners of the land". After happily informing the EEC that "much of the outstanding problems on the land access situation...has been resolved", the letter disclosed that "the farmers were given upto (sic) the end of September to come forward to have their crops enumerated for compensation. It was also made clear to them that after this date force would be used if necessary to remove them from the land. indications so far point out that they are heeding the call"<sup>29</sup>(emphasis added). In fact the problem was not resolved and there were two instances of police being used against farmers in 1982<sup>30</sup>. Overall the planting schedule fell behind considerably. As of the end of 1988 TOPP had a total planted acreage of just over 3,700 ha (FAO,1989,Annex 2,5).

The Ghanaian state's greater sensitivity to pressure from international capital over those of nationals was not exhibited only around TOPP. Among the farms destroyed to make way for BOPP were two locally owned oil palm plantations established with funding from the parastatal Agricultural Development Bank. Fadetco and Tranquillity

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<sup>28</sup> Ministry of Lands and Mineral Resources to General Manager, CDC, 22 July 1981.

<sup>29</sup> Memo TOPP Implementation Difficulties, Ministry of Finance and Economic Planning (MFEP) to Directorate General for Development Projects, Agriculture Commission of EC, September 1981.

<sup>30</sup> Communication from Mr Darko, officer responsible for TOPP at MFEP, 20/4 '89.

Farms, with 300 acres and 80 acres respectively of oil palm, had been established under the government's "Operation Feed Yourself" self reliance drive. These were large farms by Ghanaian standards<sup>31</sup>. At the time they were destroyed in 1976, Tranquillity had been granted an ADB loan to expand to 200 acres. Ironically in 1972, very early in the life of the farm, the owners had asked UAC for financial support so they could eventually supply LBG with palm oil for its soap production. One of the letters that the directors of Tranquillity wrote to the Commissioner for Economic Planning and other state officials, in the course of their ultimately doomed struggle against the expropriation and destruction of their holding, made an eloquent indictment of the terms and consequences on domestic private capital of the state-international capital alliance embodied in BOPP (Dadieh and Jonah, 1987, 32-33). It said in part:

... In 1972 when the N.R.C. launched the "Operation Feed Yourself Programme" we seized the opportunity to respond quickly to the call to Ghanaians to go into farming. At that time rarely did we envisage that UAC/International would one day turn back and kick us out from an area which they expressed their unwillingness to assist in development. Neither did we dream that having developed the area to oil palm out of our own struggle and sweat, we could be trampled upon in the long run. If this unfortunate situation is allowed to occur where lies the liberty and freedom of the indigenous Ghanaian?

So while vis-a-vis its partners in BOPP, TOPP and GOPDC, the state bore the financial and political cost of the land acquired for the projects the real socio-economic price of the land was borne by those who had for years lived and worked on the sites of the new enterprises.

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<sup>31</sup> According to the 1970 Sample Census of Agriculture only 1.8 per cent of all holdings in Ghana were 50 acres or more in size; in the Western Region the proportion was 0.7 per cent.

An important factor in the shabby treatment of those who were being displaced for the estates and the related land dispute was conflicting perceptions of development, between the state-IDFI-TNC alliance on one side and those threatened with displacement, particularly the peasantry. Despite the earlier indicated differences among the three oil palm projects, they share the primary feature of defining the "beneficial" impact of the enterprises on the local communities in terms of increased possibilities for higher incomes through expanded commodity relations, including wage labour.

Without an integral outgrower scheme the benefits of BOPP for the locality were seen as incidental to the economics of the enterprise: the creation of plantation work and of a market for locally grown food represented by plantation workers (UAC, 1980,3) and the purchase of palm fruit by the BOPP mill at its own discretion. A BOPP management leaflet consisting of 25 points the company deemed noteworthy, did not have a single line about any beneficial impact on the local area beyond employment. In fact the leaflet is a statement of the enclave character of the operation with schools, clinic, company shop, estate housing and sports facilities for employees, protected against any external and internal threats by the company's "own security force of around 60 to combat theft of palm fruit", and "a police station and housing on the estate for police" built by BOPP<sup>32</sup>. However the "development" perceptions and expectation of the local peasantry went beyond this. Thus when President Limann visited the BOPP site on February 24, 1980 the chief of Adum Bansa appealed to the government to tar the road leading through his village to BOPP and also asked for a

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<sup>32</sup> Benso Oil Palm Plantation, *BOPP in Brief*, n.d (c.1988), in Files on BOPP at GIC.



rural housing scheme to cater for the population attracted to the area by the project (UAC,1980,6).

Reading a TOPP circular of 1979 the integral provision for a smallholder component seems only a minor exception in the essential similarity of how the TOPP and BOPP management see the beneficial impact of their companies on their localities. The TOPP document spoke of the Twifo project offering "opportunities which local members of the area are expected to take advantage of...Three hundred local families are expected to participate in the smallholder scheme...The developing estate offers employment opportunities to 400 members of villages and hamlets, working on land clearing, nursery work and planting of oil palms" (TOPP,1979).

Despite the World Bank's vaunted concerns with *basic needs*, around the time GOPDC was created, the organisation's Project Appraisal Report offered a traditional line on the benefits of the project, in terms of resulting in the generation of "a gross income of US\$17.0 million annually in a what is now a poor and relatively undeveloped region of Ghana" (1975,21-22). The two main points were an increase in the incomes of families that become contract farmers and job creation. "At full maturity, the project would provide employment for about 250 farmers and 600 staff and labourers at GOPD (sic) headquarters and in the plantation". The only examples of the "many unquantifiable benefits" that the report (World Bank,1975,22) offers are again narrowly commercial:

In particular it would demonstrate the feasibility of the nucleus plantation approach to development by establishing an industrial plantation which would provide services to small outgrowers, and establish an efficient marketing system for their palm produce.

A list of demands presented in 1985 to the GOPDC management by the chiefs and community organisations of four villages in the project area can be described as a classic summation of what the dominant strata in those communities saw as the "basic needs" that the establishment of GOPDC should help meet (Dadieh and Jonah, 1987, 83-89). The resolution, distilled into a draft agreement ready for signing with the management of GOPDC, listed 16 demands in the following order:

- a) five new palace buildings for the towns of Asuom, Kwae, Maman-Atobiri, Anweam, and the Minta Royal Family on sites to be chosen by the chiefs and individual towns;
- b) secondary school scholarships proportionately distributed among deserving students from the mentioned towns;
- c) donations of 2 sheep, four bottles schnapps, palm fruit and cash donations to each of the five chiefs during their annual *Afahye* festivals;
- d) four bottles of schnapps, cash donations and palm fruit to each of the five chiefs during the annual Akim Abuakwa *Ohum* festival;
- e) 20 acres of GOPDC's already developed plantation to each of the five chiefs, on behalf of their stools;
- f) the electrification of Asuom, Kwae, Anweam;
- g) community centres in Anweam;
- h) rehabilitation of schools and related facilities in Maman-Atobiri and Anweam;
- i) pipe-borne water for Anweam and Kwae;
- j) annual royalty payments to each of the five stools;
- k) rental housing units in Maman-Atobiri;
- l) erect a 2 metre wall round the royal cemetery in Kwae;
- m) health post for the Minta royal family;
- n) provide "elaborate and effective transportation facilities" between Anweam and the GOPDC plantation;
- o) provide an improved market place and public toilets in Anweam;
- p) "accord due consideration and compassion for the qualified citizens of these traditional areas in question of job fillings with the GOPDC.

Shorn of the extravagances of "royal palaces" and a wall for a "royal cemetery" the demands are perfectly understandable. The demands for annual payments of money palm fruit, sheep and drinks indicate the stools' attempt to draw some benefit from their expropriated allodial title in the nationalised lands. The demands for schools, scholarships, health and other such facilities cannot be faulted within any conception

of "development". So while the initiators of the projects saw them as offering enhanced economic opportunities to the locals, the latter expected them to offer the opportunity for more rounded socio-economic upliftment including enhanced economic opportunities. It is however clear that for the initiators of the projects employment opportunities with contract farming the crucial innovations at GOPDC and TOPP. The next chapter examines the terms and operations of the outgrower components of GHASEL, GOPDC and TOPP.



## CHAPTER NINE

### Sugar and Oil Palm Contract Farming Schemes

The contract farming components of GHASEL, TOPP and GOPDC represented a point of agreement and overlap between the responses of post-colonial states to the growing domestic food and raw material deficits, the "rural development" concerns of the IDFI and new orientations of agribusiness TNCs which were examined in chapter 7.

Sugar cane and oil palm are two crops in respect of which considerable experience of contract farming has been developed (Glover, 1984, 1150). TOPP, GHASEL and GOPDC have had very different histories. This chapter analyses the features and operations of the contract farming schemes of GHASEL and GOPDC so as to highlight the particular characteristics which account for their contrasting outcomes and to also compare their features with the relationship between the colonial cocoa peasantry and capital<sup>1</sup>.

Sorensen and von Bulow (1990, 3) have criticised a general trend in the literature "towards reducing the complex phenomenon of contract farming into a pro/anti debate" while others (Jackson and Cheater, 1989, 1) have remarked that the comparative value of many analyses of contract farming schemes have been limited by "differing notions" and "partial or restricted evaluations" of their impact. The analysis in this chapter takes account of these criticisms by deploying and examining the two main theoretical perspectives on contract farming: a) that which argues that farmers benefit

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<sup>1</sup> TOPP is only partially discussed because its smallholder component was delayed by land disputes and differences between CEREDEC and CDC about design.

from contract farming which offers them security; and b) that which sees it as tightening the subsumption of the peasantry by capital as part of new forms of internationalisation.

### **9.1. Design of Case Study Schemes**

Jackson and Cheater (1989,1) have noted that while variants of contract farming have existed for decades contemporary contract farming assumes a "wide variety of unique and distinctive forms". Glover (1990,4-5) has a survey of the various forms and their features. While the contract farming units of GHASEL, TOPP and GOPDC share the primary characteristic of the contract farmers being linked to a nucleus estate/processing facility they differ in their design details. The three projects involve two types of contract farmers: smallholders and outgrowers. Smallholders are tenants on land belonging to the estate while outgrowers farm on non-estate land. GHASEL had outgrowers while TOPP's farmers are smallholders and GOPDC has both types. In all three cases the essential contractual relationship involved the farmer undertaking to produce a specified crop of a particular quality according to a time table and production techniques laid down and enforced by the nucleus estate which on its part provides the farmer with inputs, services and credit and undertakes to buy the produce at a price fixed in advance. Payment for the produce is linked to credit recovery arrangements.

GHASEL's outgrowers had a tripartite contract with the firm and the Agricultural Development Bank (ADB) which provided the credit to the outgrowers. This agreement was backed by one between GHASEL and ADB. Sugar cane acreage was

expected to reach over 2,000 ha. at Komenda and over 3,000 ha. at Asutsuare by the end of the five year rehabilitation scheme. These compare with 2592 ha. and 1822 ha. of estate sugar cane at Asutsuare and Komenda respectively. GOPDC has bilateral contracts with its smallholders and outgrowers who together farmed a total of 4870 ha. of oil palm compared to 3850 ha. of nucleus estate. 202 smallholders account for 1,051 ha.

The TOPP scheme provided for 1200 ha. (2964 acres) of smallholder oil palm with 300 farmers. At peak smallholder production would represent 20% of the total production of the TOPP project. The institutional relationship between TOPP and the smallholders is however radically different from that between GOPDC and its smallholders. The smallholders at TOPP are tenants of Ceredec which has responsibility for developing and managing the scheme. TOPP's role is to provide technical assistance planting material and processing capacity for the smallholders, for which role Ceredec has to enter into agreement with it<sup>2</sup>.

The differences in the design and prominence of the three contract farming units are basically attributable to balance of influence between the state and funding IDFI, mixed with history in the case of GHASEL and contingency at GOPDC. For the State the three projects and BOPP, considerable undertakings in terms of size of investment relative to the national economy and planned impact, were more than "commercial" enterprises in the narrow sense of the word. GHASEL, TOPP, BOPP and GOPDC

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<sup>2</sup> Schedule 2 of TOPP Loan Agreement of 2 August 1978 between Government of Ghana and Commonwealth Development Corporation.



were rather instances of a "corporate-based agricultural development strategy" with the enterprises straddling the roles of commercial venture and development agency (Mackintosh,1989,16). The contract farming units come within the concern to "modernise" peasant agriculture through the spread of new cultural practices. The World Bank which was involved in GHASEL and GOPDC and the EDF and CDC which financed TOPP, like the Ghanaian state, proclaimed a concern with "development" beyond narrow financial profit and loss in their conception of the economic viability of projects. Unlike BOPP a vertically integrated part of an agribusiness TNC, both GOPDC and TOPP with their contract farming units are concerned to avoid being enclaves.

The prominence of contract farmers in GHASEL and GOPDC reflect the contemporary World Bank interest in small/medium size farmers. At GHASEL this coincided with the existing practice. As we pointed out in Chapter 6 outgrowers were an established part of the sugar industry from the very beginning and on the eve of the GHASEL project they accounted for over half of the factories' cane supply. At GOPDC the detail of a combination of smallholders and outgrowers was the product of a tactical modification of the project. At conception the project was not intended to have any smallholders. However part of the fall out from the land dispute discussed in the preceding chapter, was that farmers were initially reluctant to participate in the 1,200 ha outgrower scheme which formed part of Phase I of GOPDC for fear of losing their lands. This led the project managers to decide on a demonstration smallholder scheme to break down the farmers' suspicions (World Bank,1984,10).

## 9.2. Terms of Farmer-Estate contracts<sup>3</sup>

### 9.2.1 Selection criteria and Grower characteristics

To become a GOPDC outgrower a farmer's plot must be within a 25 km radius of the nucleus estate, have suitable soil and be within 400m of a road/track so as to facilitate the collection and transportation of palm fruit<sup>4</sup>. The candidate must have an interest of not less than 25 years duration, this period being the economic life span of an oil palm. If it is a customary law interest it must be recorded in accordance with section 4 of the Conveyancing Decree (N.R.C.D. 175) which covers the registration of oral grants of land under customary law. 48% of outgrowers own their land while 52% of them are abusa tenants (GOPDC,1988,15).

Prospective farmers were expected to be of working age (25-50 years) so as to directly contribute their labour and in addition must command family labour or "demonstrate a financial background, confirmed by his bank' (GOPDC,1988,62). Because of this basic requirement for family labour potential outgrowers had to disclose if any member of their "immediate family (father, mother and dependents)"<sup>5</sup> had applied for or received financial assistance from GOPDC. The maximum acreage per outgrower was limited to 8 ha (20 acres), this being considered "the size of holding manageable by the average farmer with his own family and some seasonally hired labour" (World

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<sup>3</sup> See Appendix 1 for models of agreements between GHASEL and GOPDC and their contract farmers.

<sup>4</sup> Both Phases I and II of GOPDC involved the construction of roads within the outgrower zone around the estate (World Bank,1975,9;1984,14).

<sup>5</sup> Preamble to GOPDC-Outgrower Agreement.

Bank,1975,8). In exceptional cases of a man with more than one wife and at least 20 dependents the outgrower holding can be up to 12 ha (30 acres).

GHASEL required that the farmer must have no less than five years exclusive possession of his land<sup>6</sup>; the farms were expected to yield four crops, including three ratoons before re-planting<sup>7</sup>. Because outgrowers were already established the outgrower component of the GHASEL project largely involved the rehabilitation of existing farms. Though providing for new entrants, the selection process for the rehabilitation project therefore mainly involved a re-evaluation of existing outgrowers and reform of the terms of their participation.

The stratification of cane farmers was epitomised in the broad differences outgrowers at Komenda and at Asutsuare as regards the sizes of holding, how they were organised and funded. Both Asutsuare and Komenda had about 250 outgrowers each. At Asutsuare, which is an hour's drive from the national capital Accra, half of the outgrowers were absentee capitalist farmers "mostly businessmen, civil servants and politicians" (Okyere,1979,8) who moved into sugar cane farming as part of the wider state encouragement of capitalist farmers by the NLC/Busia regimes between 1968-72. In comparison only 6.5% of farmers at Komenda, some 120 miles from Accra were absentee. After the January 1972 coup senior military officers also moved into sugar

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<sup>6</sup> Preamble to Agreement between GHASEL, ADB and the Planter.

<sup>7</sup> The first crop of sugar cane is usually harvested after 14-16 months depending on the season of planting. If the cane is not dug up after harvest the next crop - a ratoon sprouts from the roots within a few days and matures within eleven months. The yield from ratoons declines progressively so while some growers harvest ratoon for ten years so as to avoid the cost of replanting most sugar producers work with a 3-5 year cycle which give reasonable ratoon yields (Graham and Floering, 1984,135;International Sugar Council,1963,63).



cane and towards the end of the rehabilitation project 85% of the outgrowers at Asutsuare were absentees (GHASEL News,1978). The social mix of sugar cane outgrowers hardly changed during the rehabilitation scheme<sup>8</sup>.

At the beginning of the GHASEL project outgrower acreage at Asutsuare totalled around 3,400 ha. (8,500 acres) while at Komenda it was around 1180 ha. (2910 acres). The farms at the two sites ranged between 0.8 ha. and over 120 ha. (2-300 acres) with the average size of holdings at Asutsuare bigger than that at Komenda. At the latter place farms of less than 10 ha (25 acres) constituted more than 40% compared with 16% at Asutsuare. The ratio of absentee farmers was reflected in how the farmers were organised. As of 1975/76 more than half of Komenda farmers belonged to cooperatives members of which on average farmed an acre of sugar cane. These cooperatives were grouped in the Prah River Cooperative Sugar Cane Farmers Union. In comparison 94% of outgrowers at Asutsuare were individual farmers (World Bank,1972,6).

ADB's lending to the sugar industry reflected the bureaucratic bourgeoisie's use of state institutions for private accumulation. As of September 1972 a fifth of ADB's lending, totalling £3.29 million, was to sugar cane farmers. There was no limit on the acreage per farmer and the bank paid for 100% of expenses. The World Bank (1972,Annex 3,6) lamented that ADB's policies had "led to disregarding the needs of small farmers by lending available funds to already wealthy people on generous

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<sup>8</sup> The outgrowers at Asutsuare included one Colonel Amuzu with 60 acres, Nana Oduro Numapau II, a prominent Ashanti chief and a senior official at the National Investment Bank with 210 acres, Mr I.K. Preko, a minister in the Nkrumah regime who had 150 acres.

terms". 83% of the amount lent went to Asutsuare outgrowers; nearly a third of Komenda's farmers were self financing compared to 16% at Asutsuare. One of the concerns of the outgrower component of the GHASEL project was to tighten up on what the World Bank considered the easy credit available to inefficient farmers (World Bank,1972,11). ADB lending for *new farms* was to be limited to 25 acres (10 ha). Old outgrowers could get replanting loans for up to 40 ha (100 acres) (World Bank,1972,Annex 3,7). Annual increases in the size of all farms were to be limited to no more than 20% of existing acreage or no more than 20 acres.

The official reason for the imposition of a size limit on new farms was a desire to minimise the use of hired labour; the World Bank (1972,7) estimated that 25 acres could be adequately managed by a family of four adults. This policy partly reflected the Bank's hope of fostering the development of a "relatively stable middle peasantry engaged in specialised forms of commodity production in particular relations with productive capitals" (Bernstein,1979,434). It was also a pragmatic response to labour supply problems particularly tight at Asutsuare, with a population of 6,000 in 1970, which was located in an area with a number of large enterprises paying competitive wages (Okyere,1979,24)<sup>9</sup>.

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<sup>9</sup> GHASEL recruited and transported migrant labour from North Eastern Ghana usually between December and April, which is the dry non-farming season in that part of the country, to work on the sugar estates. I saw scores of these migrant workers housed in appalling conditions in old warehouses at Asutsuare in December 1981.

### **9.2.2 Farmer's Obligations**

Apart from undertaking to meet the specified conditions for the repayment of the ADB loan the sugar cane outgrower agreed to cultivate one new crop and three ratoons of sugar cane according to directions from GHASEL. These directions covered planting only cane varieties approved by GHASEL, using fertilisers and other chemicals as prescribed, implementing recommended fire precautions, sugar cane farms being quick to burn. Most important in this regard the first planting must be such that the cane reaches maturity during GHASEL's crushing programme<sup>10</sup>. The farmer was prohibited from selling cane to anybody but GHASEL and from extending his/her acreage without the permission of GHASEL and the ADB. To have cane in the best possible condition for milling it was to be harvested according to GHASEL's instructions. At harvest time the farmer was to follow GHASEL's crushing programme and an agreed daily supply quota including times fixed for burning, cutting and loading cane. Where GHASEL did not supply transport the farmer was to follow the firm's guidelines for loading cane.

Apart from the lease between GOPDC and the smallholder, the latter was under the same obligations to the estate as the outgrower. The contract bound the farmer to cultivate his/her farm according to norms laid down by the estate. This includes clearing the land and planting seedlings, sowing cover crops, applying fertiliser, not intercropping, reporting plant diseases, take reasonable steps to prevent and treat diseases, etc. The farmer undertook to provide additional labour from his/her

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<sup>10</sup> "Crushing programme" is defined by clause 2 (d) of the outgrower contract as "the programme made by GHASEL of the sequence of fields to be harvested having regard to the proper age and maturity and, therefore the optimal sucrose content of the sugar cane at the time of harvesting".



resources to complement that financed out of the GOPDC loan. Also employees of the estate were to be allowed access to all parts of the farm for inspection and extension purposes.

The contract also empowered GOPDC to enter a farm to cultivate, maintain or harvest crop should the farmer fail to meet the laid down standards in which event the cost to GOPDC will be deducted from what is due as purchase price. Most importantly the farmer undertook to sell the produce of the farm to GOPDC to the exclusion of all else. To meet GOPDC's quality standards the farmer agreed to harvest the fruit in a manner recommended by GOPDC. Outgrowers under Phase I of GOPDC have to repay their loans within 22 years, with a nine year grace period but Phase II outgrowers have a shorter repayment period of 13 years and six year grace. In both cases the level of interest is subject to periodic review.

### **9.2.3 Responsibilities of the Estate**

The credit provided to the farmer by GOPDC covered the full cost of inputs such as fertilisers, seedlings and wire guards (which protect the young oil palm against rodents), tools and cover crop. GOPDC also paid a maintenance allowance amounting to 80% of the estimated cost of labour (including family labour) for creating and maintaining the farm for the initial five years till the oil palm start yielding. This sum was paid three times a year and was only paid after the work has been done and certified by the estate which meant that the farmer had to pre-finance this cost. Glover (1987,441) has argued that in many cases the provision of credit is the principal motivating factor for farmers signing up to be contract farmers. A survey

found that the maintenance allowance paid by GOPDC was a primary incentive for many who joined the outgrower scheme (GOPDC,1988,82).

The contract required the estate to provide a range of technical services. Occasionally, as and when necessary and possible, GOPDC supplies workers for various tasks, for example to cut down trees with chain saws, to help with the spread of fertiliser and prune palms. GOPDC's obligation to purchase the farmers' harvest, except that which contains "excessive amounts of stones or other foreign matter", was coupled with an undertaking to collect produce from the roadside near the farm. The price paid to the farmer is fixed by a committee which involves the Ministry of Agriculture. However the World Bank credit for GOPDC specifies the factors to be taken into account in arriving at the price so as to ensure an economic return to the outgrower/smallholder (World Bank,1984,34).

The ADB's credit to GHASEL's outgrowers covered 80% of the cost of preparing the land, the cost of planting material and fertiliser, living allowance for new farmers and 80% of the cost of harvesting labour. GHASEL undertook to supply and transport seed cane to farmers. The company also undertook to provide the farmer fertiliser and agro-chemicals as well as technical advice on cultivation and related matters. The firm and its personnel, like GOPDC, were empowered to enter outgrower farms either for inspection or to enforce cultivation and farm maintenance standards. It was only committed to providing transport for harvested cane for those within five miles of the factory or designated cane collection points. GHASEL was empowered to deduct the

cost of inputs and services it provided to a farmer from what is due him for cane supplied before paying the balance into the farmer's account with the ADB.

The price paid by GHASEL for cane was determined by a pricing formula contained in the outgrower contract with the rates subject to review by GHASEL with the approval of the government. The pricing formula is the clearest instance of the imbalance in the relationship between the parties. The price paid for any tonnage of sugar cane was directly related to its sucrose content (SC). The farmer had to accept the SC determined by GHASEL's labs as binding. Similarly the farmer had to accept the weight of cane as determined by GHASEL's weighbridge. In the event of GHASEL considering some cane unfit for milling it can buy it a reduced price depending on its quality. While farmers had to rigorously abide by the crushing programme and daily supply quota (D.S.Q) GHASEL could in "circumstances beyond its control" change the D.S.Q. so long as it gave reasonable notice of not less than 48 hours to the farmer. While the contract provided that GHASEL shall be liable to pay farmers the basic price under the price schedule should it fail to conduct crushing operations this was qualified with the exclusion of liability if the failure is due to an "act of God and circumstances beyond GHASEL's control provided reasonably sufficient notice is given to the planter in advance". In its agreement with ADB, GHASEL undertook to give harvesting priority to accidentally burnt fields to minimise losses to any farmer so affected since the sucrose content of burnt cane deteriorates within 24 hours.



### 9.3. Subsumption versus Benefit

The contracts very clearly subordinate the farmers' production to the demands of GHASEL and GOPDC and give the firms considerable control over the farmers' production process. While there is an interdependence and allocation of risks between the parties it cannot be claimed that the relationship is an equitable one. The terms of interdependence and allocation of risks are very much determined by the processing unit; some of the differences in the details of the GHASEL and GOPDC contracts are related to the characteristics of oil palm and sugar cane and their cultivation. Although both contracts provide for disputes to be settled through arbitration it is not likely to be worth the economic time of the farmer to drag out a legal dispute with the buying firm over key issues such as price and the margin of discretion given the firm under the contract is such that the farmer is more likely than not to be unsuccessful.

Critics of the spread of state-IDFI-TNC sponsored contract farming schemes such as GHASEL, TOPP and GOPDC see them as another phase in the growing subsumption of the peasantry by international capital, aided by post colonial states (Bernstein, 1979). For Sachikoyne (1989,2) "contract farming is a crucial mechanism in the subsumption of growers to agribusiness capital which profits from avoiding their reproduction costs" (See also William (1981,25). On the basis of the experience of Tanzanian tea farmers Mbilinyi (1988,569) has characterised contract farming as dispossession "without being separated physically from the land". This loss of economic ownership while retaining legal ownership is also accompanied by "finance intensification" which refers to the inability of the producer to independently "activate" means of production

and growing dependence on the market and finance capital for farm inputs, equipment, etc. Mbilinyi's study also drew attention to how contract farming intensifies women's work something most studies of the phenomenon fail to examine. In their study of gender and contract tea farming in Kericho, Kenya Sørensen and von Bulow (1988,1990) showed how contract farming has exacerbated gender inequalities and tensions with a negative impact on production.

Two main arguments are advanced by those who see the growing involvement of African peasantries in contract farming, particularly those sponsored by the state and IDFI, as a positive development. The central claim is that contract farming schemes have in general resulted in significant improvements in the incomes of participating farmers thereby affording them and their families a higher standard of living (Goldsmith,1985; Buch-Hansen and Marcussen,1983; Holtham and Hazelwood 1976,154). This improvement in rural livelihoods is the result of the other main beneficial consequence which is claimed for contract farming: higher productivity resulting from the farmers' assured access to modern technology, inputs credit and a market (Sofranko et al.,1976; Graham and Floering,1984,100; Gyasi,1988; Glover,1987,441;1990,9).

Naturally the project documents for GHASEL, GOPDC and TOPP make strong empirically backed arguments about the beneficial effects of the contract farming schemes. Some of these were quoted in the previous chapter. At GHASEL the World Bank (1972,26) projected that within the five year life of the rehabilitation scheme a 10 ha. (25 acres) sugar cane farm should yield an annual per capita income of C310

(\$242) for a family of six persons, which compared favourably with the estimated average rural income of £190 (\$148) in 1970. At GOPDC, in addition to the specific financial returns to contract farmers (World Bank, 1975, 6; 1984, 34) the project was expected to become a pole of development the benefits of which would include the "technical experience gained by members of the outgrower sector" serving as a "valuable extension factor" in the area. The CDC believes that nucleus estates with smallholders "offered the most effective method of making a worthwhile contribution to raising living standards in Africa and many other developing countries". The corporation "liked to think the concept represented a distinctive CDC contribution to development techniques" (Rendell, 1976, 277)<sup>11</sup>.

Increased subordination of the peasant producer to capital is not incompatible with an improvement in the producer's material conditions. This compatibility is recognised by both proponents and critics of contract farming. For example among backers of contract farming Holtham and Hazelwood (1976, 154) noted that the regulation of outgrowers in the Mumias sugar project in Kenya is so close that "in effect they rent a bit of their land and labour time to the company for an assured payment". Similarly Sofranko et. al. (1976, 709) describe tobacco contract farming in Ghana as "in many respects analogous to the rationalised system of production to which urban factory workers are exposed". Glover (1987, 442) neatly summarises the potential

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<sup>11</sup> The history of the CDC's development of the nucleus estate concept as "the most effective method" of improving rural living standards in the ex-colonies is very interesting. The concept evolved as part of British anti-communist counter-insurgency in Malaysia in the 1950s where the "establishment of prosperous smallholders was seen as the main bulwark against Communism". The anti-communist value of the concept was one of the grounds on which the chairman of the CDC recommended it to the then President of the World Bank G.D. Woods (See Morgan, 1980, Vol 4, 228-230).



compatibility of the increased subordination of the peasantry and an improvement in their living standards, arguing that

contract farming combines some of the advantages of the plantation system (strict quality control, close coordination of interdependent stages of production and marketing) with those of smallholder production (superior incentives, equity considerations).

From this view point the farmer who suffers tight control by the firm has the beneficial trade off of material improvement. Within this logic the contract between firm and farmer represented a fair distribution of risks

Contracting is fundamentally a way of allocating the distribution of risk between the firm and its growers. The latter assumes most of the risk associated with production while the former assumes the risk of marketing the final product. In practical terms, however, considerable interdependence exists between the parties ... how risks are allocated is specified in the contract (Glover,1990,3).

The concrete operation of the contract farming arrangements at GHASEL and GOPDC and their contrasting outcomes, which are discussed in the following section, demonstrate that despite their contractual subordination outgrowers retained some independence and were by no means simply "wage labour equivalents".

Compared to the situation of a contemporary "uncaptured" farmer the terms GHASEL and GOPDC offered to farmers -assured access to credit, supplies of inputs and extension advice, an assured market for produce at relatively predictable prices - were very attractive. Very few farmers had access to institutional credit, and associated relatively favourable interest rates and repayment conditions, at the time the two projects came on stream. In 1975 it was estimated that less than 10% of Ghana's

farmers had access to institutional credit (IFAD,1988,Vol II,128; Bentil,1988). The little institutional credit that was available, as the already cited figures for the pattern of ADB sugar cane lending in the pre-GHASEL days shows, went to big and influential farmers. The situation with oil palm was even more dramatic. In 1972 the ADB gave credit to just over 1,500 farmers nation-wide. In the period up to the end of June 1972 ADB had approved 128 loans for oil palm cultivation, totalling C1.127m, of which less than half had been disbursed.

The problems farmers faced with the supply of inputs and extension services were just as acute. In the 1970s the state supplied inputs and mechanised services to farmers at subsidised prices. Outside the cocoa sector the quantities and delivery mechanisms were inadequate and the distribution was heavily skewed in favour of larger farmers, usually those with influence within the state (Stryker,1990,112-119). The Mechanisation Transport Division of the Ministry of Agriculture (MoA) offered subsidised services, at about 50% of private sector costs in the early 1970s, including clearing, tilling and harvesting. These public sector services were woefully limited; in 1976 only 3% of wheeled tractors and harvesters in the country were owned by the state.

The situation with the supply of fertilisers, the most sought after input, was indicative of the wider input supply situation at the inception of GHASEL and GOPDC. In 1973 the state subsidy on compound fertiliser was 69% of its cost price and 74% for ammonium sulphate. In 1975 these had risen to 86% and 85% respectively. However there was never enough, delivery was poor with many farmers not getting supplies when needed and the bureaucratic procedures around sales favoured farmers with

influence. The shortages and poor distribution led to a parallel market; in 1977 when the official price of fertiliser was C2.00 a bag it was selling in the countryside at C9.00.

The organisation and delivery of extension services was also inadequate and patchy. Units under the MoA have the central responsibility for crop extension work outside cocoa. However there was and still is extensive uncoordinated overlap of its work and that of a number of other public sector organisations (IFAD,1988,117;Stryker,1990,123). This component of the Ministry's work has long been plagued by "the lack of qualified personnel, weak research/extension links, dispersed responsibilities and poor logistics" (World Bank,1991,24). Pre-GHASEL cane outgrowers were among the privileged beneficiaries of government fertiliser supplies and mechanised services. However, in keeping with the general pattern, the supply of both were unreliable while Asutsuare farmers were better supplied than Komenda farmers (World Bank,1972,21;Okyere,1979,passim).

#### **9.4. Operation of the Contracts**

##### **9.4.1 GHASEL's failure**

Like the rest of the sugar rehabilitation scheme GHASEL's outgrower scheme was a failure. When the project ended in June 1978, the total outgrower acreage and crop yields per hectare at both Komenda and Asutsuare were well below projections. At Asutsuare outgrower cane fell from 8,500 acres in 1973 to 3,900 acres in 1978. At Komenda the 1978 acreage of 3,780 acres represented an increase over the 2,800 acres



of 1973 but was below the projected 5,000 acres. Compared to projected production of 40 tons of cane per hectare the 1978 yields were 22 and 33 tons per hectare at Asutsuare and Komenda respectively. To compound this dismal picture large numbers of outgrowers particularly at Asutsuare, in blatant violation of a central clause of their contracts, were selling their cane to private crushers who offered better prices than GHASEL.

The failure of the outgrower scheme involved a number of factors including poor project design partly linked to an underestimation of the work that the rehabilitation entailed, poor management, aspects of which are dealt with in the next chapter and the wider crisis of the Ghanaian economy and state during the latter period of the rehabilitation exercise. In relation to the GHASEL project the last point manifested itself in a paralysis of state policy and action. Within the sugar industry itself there were mutually reinforcing interplay between the exogenous factors and the industrial and agricultural problems that the project faced. Despite this it is possible to isolate some issues which were specific to the agricultural side which affected the outcome of the contract farming arrangement. As far as outgrowers were concerned the main expression of these problems was the failure of GHASEL to meet contractual obligations the central aspect of which was the failure to pay farmers a price for cane that they regarded as satisfactory.

Most reviews of the GHASEL project acknowledge that poor producer prices contributed significantly to the failure of the outgrower scheme (World Bank, 1981, 36: GHASEL, 1981, 9). Between 1972 and 1979 prices in Ghana rose by 1,635%. By

comparison the producer price of sugar cane went up by 866%, from C7.50 to C65.00 in that period. The World Bank blamed the government's reluctance to raise sugar and cane prices for driving farmers to sell their cane to private crushers. The government's holding down of the producer price of cane was linked with the holding down what the state paid GHASEL for its sugar. Between 1973 and 1977 the price government paid GHASEL remained at the same level before being increased by a mere 10%. The holding down of the price paid GHASEL for its sugar meant that the increases in cane prices affected its profitability.

The Government's sugar pricing policy was primarily due to the political nature of the commodity and price increases were invariably too little too late (World Bank, 1981, 35). The impact of the deterioration in the farmers terms of trade were worsened by difficulties in procuring inputs, labour and services for cultivation and harvesting, uncertainty about GHASEL's purchases because of factory breakdowns and problems with transport and field equipment. This situation highlighted flaws in the design of the contract farming scheme and the weak points of the outgrower contract.

Contract farming terms tend to vary according to the characteristics of crops including the technical demands of cultivation, the perishability and quality requirements of the crop. Generally however the assumption of production risks by the farmer is a central feature. The specific distribution of tasks and associated risks between the parties however depends not only on the technological imperatives of the crop but also on the socio-economic context of the particular contracting scheme. The terms of GHASEL's

outgrower contract placed key costs and risks on the farmer and with that the relative freedom to decide whether to and how to carry out the tasks, This arrangement contributed to the eventual breakdown of the relationship between the parties.

Two key stages of production: land preparation and cane harvesting were left completely to the farmer. The farmer was expected to use a combination of family and employed labour and machinery hired from the Ministry of Agriculture or private contractors to prepare their lands. The outgrower also had responsibility for harvesting the crop 80% of the cost of which was covered by ADB credit. Those farmers who were more than five miles from the factories or GHASEL designated cane collection points were to organise their own transportation of harvested cane to the factories which transportation GHASEL was to pay for. While the funding for the project allocated money for the importation of fertiliser by GHASEL it was not to be given out to farmers as credit in kind but rather they were given cash by ADB to buy it from GHASEL or the Ministry of Agriculture (World Bank,1972,20-21).

The GHASEL arrangement contrasts sharply with other experiences around the continent such as in Swaziland, Zimbabwe and Kenya of intense contractual relations between farmer and estate with the latter responsible for some of the more demanding production tasks (Graham & Floering,1984,171; Sachikoyne,1989; Glover,1990,99). Estate control over Zimbabwean sugar cane outgrowers he studied is so tight that Sachikoyne (1989,9) has argued that it amounted to "real subsumption" as opposed to "formal subsumption" of the farmers. In the specific case of Mumias Sugar Scheme in Kenya land preparation is divided between farmer and estate; the farmer cleared the



land and the estate did the ploughing and harrowing. In addition to seed cane the estate also supplied fertiliser. It organised the harvesting which was carried out by labour gangs that it recruited. The buying firm also provided transport for hauling the cane to the factory. The cost of all these goods and services were deducted from the price paid to the farmer. The intensity of the Mumias outgrower contract is cited by admirers of that scheme as central to its success (Graham & Floering, 1984, 115; Holtham and Hazelwood, 1976, 154; Buch-Hansen and Marcussen, 1983; Glover, 1990, 99).

The intervention of the estate has to be understood against the background of the demands of land preparation and harvesting. The two operations especially preparing land for re-planting are extremely laborious. The harvesting of cane "makes heavy demands on labour, probably the heaviest made by any tropical crop grown commercially" Courtenay (1980, 134). Re-planting makes even greater demands on labour (Glover, 1987, 445). Furthermore optimum production of sugar requires that the cane be harvested when its sucrose content is highest and if not milled within 24 hours of harvesting it very quickly deteriorates. The arrangement at Mumias gave the processing firm great control over the production process thereby reducing the risk of shortfalls in the quantities and quality of raw material for its plant. It also minimised the risks the farmer faced and the costs that had to be borne upfront though it took away his freedom to regulate the labour process and hopefully achieve some savings through higher productivity. On the other hand it may be argued that in having to finance these operations the estate was sensitised to the costs faced by the farmer and

therefore more alert to what would constitute an attractive enough cane price to keep farmers in the industry.

The pre-GHASEL history of Ghana's sugar industry offered scant basis for the optimism about grower efficiency and motivation and the availability of the requisite goods and services which was implied by the relative autonomy of outgrowers with respect to key aspects of the production process. In fact the World Bank's appraisal report (1972,passim) catalogued deficiencies in the land preparation and cultivation practices of outgrowers and in the supply of fertiliser and services by the Ministry of Agriculture. The Report described cane cutting, loading and transport methods as "highly inefficient". It expressed particular concern about the labour shortage in the Asutsuare area.

Against this background it is surprising that the design of the project and the outgrower contract allocated production tasks and risks in the manner described above. A concern to cut costs seemed the main reason for the decision that the estate would provide transport for only those farmers within a 5 mile radius of the factories or cane stations (World Bank,1972,20). An important consequence of this design was the failure to make provision in the financing arrangement of the project for equipping GHASEL to carry out the functions that most other sugar estates in Africa carried out for their outgrowers. For example even as it was recognised that GHASEL's field equipment were old the funding for the project provided for the purchase of only two heavy tractors by GHASEL which together could work 162 ha (400 acres) yearly. In the event the calculations on which the design was based were confounded.

As the project progressed farmers faced increasing difficulties in procuring agricultural machinery for preparing land at the right time<sup>12</sup>. Until it stopped providing services in the middle of the project the subsidised facilities of the Mechanisation Division were never enough to go round and tended to be hogged by influential farmers. The growing problems of the national economy, especially the worsening foreign exchange crisis, meant that existing private contractors found it difficult keeping their machines in working order. The problem was particularly acute at Asutsuare dominated by capitalist farms 90% of which used machinery because of the size of the farms and the labour shortage in the area. By comparison only 20% of Komenda farms used machinery (Okyere,1979,17).

Though GHASEL stepped into the breach and provided land preparation services, just as done by the Mumias estate, these were never adequate, not having been planned for in the design of the project. Furthermore the rates it charged for its tractor services were deemed high by farmers, particularly those who had access to the subsidised facilities of the Ministry of Agriculture. In 1975 farmer resentment was strong enough for them to contemplate a boycott of GHASEL's machinery after the rates were increased without consultation.

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<sup>12</sup> According to the International Sugar Council(1963,63)

By far the greatest single improvement [in cane cultivation practices] has been brought about by the introduction of the tractor and corresponding equipment for *soil preparation*. This has made possible deeper ploughing and subsoiling and has... led to a much better seed bed preparation.



Outgrowers also faced problems with the supply of inputs. The outgrower contract provided for GHASEL to supply the farmers with seed cane. This the estate was unable to do consistently. In fact there were occasions when GHASEL bought seed cane from outgrowers to use on its plantations (World Bank,1981,25)! This bizarre situation represented a particularly striking instance of the problems that plagued GHASEL and the estate's inability to fulfil its side of the contract and with it the basis on which to seek to hold the farmers to their side of the bargain. The shortage of cane gave rise to a black market in the input and profiteering by GHASEL employees, an issue that was the subject of outgrower complaints.

A different problem arose in the case of fertiliser. Before the project outgrowers got subsidised supplies from the Ministry of Agriculture. The project agreement earmarked \$0.274m for the importation of fertilisers for both estate and outgrower farms. Faced with declining producer prices the outgrowers weaned on subsidised fertiliser were loath to buy the un-subsidised, higher priced fertiliser offered by GHASEL. With the country's foreign exchange crisis subsidised fertiliser was in short supply and farmers had to travel long distances to get supplies resulting in fertiliser not being applied on time. At Komenda farmers hardly used fertiliser (Okyere,1979,27).

Predictably the problems with inputs and services undermined project targets as farmers strove to minimise costs and risks. The targeted planting of new cane and re-planting of old fields suffered from the shortage of machinery and labour for land preparation. 5,200 acres were to be re-planted at Asutsuare and 3,500 acres at

Komenda. At both sites farmers were reluctant to carry out expensive new planting or re-planting (World Bank,1981,passim; Abedi,1978,10). Glover (1987,445) succinctly summarises the economic argument against new planting:

Sugar requires a considerable amount of labour in the first year but will produce for the next several years with much less labour; in fact it may take more work to uproot canes and till the soil and plant a new crop than to harvest the cane. In such a situation even if the [outgrower] contract deteriorates after the first season, a grower may be tempted to stick with it rather than abandon his investment.

The low yields were the inevitable product of ageing ratoon cane, cultivated with patchy application of fertiliser, on outgrower farms, a situation worsened by poor rainfall from 1974 to 1978 at both Asutsuare and Komenda (MDPI,1980,passim).

A crucial miscalculation in the design of the project was the expectation that outgrowers would mainly use family labour (World Bank,1981,25). The labour shortage particularly at Asutsuare forced GHASEL to extend its unplanned role to cover most production tasks and harvesting. In an interview the general manager of the Asutsuare estate complained that the company had to do too much for the outgrowers<sup>13</sup>. The burden of organising outgrower harvest was never properly mastered by GHASEL and the unpredictability of GHASEL's harvesting schedules combined with the low producer price drove many farmers out of the industry or into the arms of private cane crushers who distilled the cane juice into gin. These crushers were cashed in on the shortage of alcohol created by GHASEL's low output and the decline in national imports of alcohol due to the foreign exchange crisis.

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<sup>13</sup> Interview with Mr Arkhurst at Asutsuare, 18 November, 1981.

Three factors combined to render GHASEL's harvesting schedules unpredictable. These were the already mentioned problem of labour supply, shortages and breakdown of field equipment and persistent breakdown of the factories. Because the factory equipment and most of the field machinery at the two estates came from Eastern European countries which were not members of the World Bank the IDA credit could not be used to purchase required spares in those countries (Fatouros, in Ghai, 1987, 347). The rehabilitation of these equipment was of fundamental importance for the whole project. However as noted in Chapter 7 no particular provision was made for ensuring that foreign exchange would be available for the procurement of spares apart from a government undertaking that money would be made available. This commitment was not adequately fulfilled. For example in 1976/77 the Government granted 400,000 cedis out of C2.8m worth of imported licence GHASEL applied for. In 1977/78 nothing was allocated for C5.6m of licence applied for and approved. A government commissioned review of the project was categorical in its condemnation of the government's failure to provide import licences. It criticised the giving of import licences to individuals to import sugar "at the expense of the sugar industry into which so much money has already been sunk (MDPI, 1980, 49)<sup>14</sup>.

In the last two years of the GHASEL project outgrower harvesting was seriously affected by, among other things, "lack of labour and insufficient transport equipment" with "considerable breakdown in field equipment at both estates" (World Bank, 1981, 21). In 1977 "farm managers were perforced (sic) to lead tractor drivers

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<sup>14</sup> From a surplus a trade surplus of \$114m in 1973, the Current Account Balance moved into a deficit of \$286m in 1974, recovered significantly to a deficit of \$26m in 1975 and thereafter the deficit topped \$100m between 1976-79 (See Stryker, 1990, 18).



in darkness with the light of their private cars" (Abedi,1978,14). In the last year "large quantities of cane were left unharvested on both estates and outgrowers farms at Asutsuare for lack of transport equipment". Harvesting problems and factory breakdowns became mutually reinforcing:

It became difficult to maintain factory standards when it was known that efficient, continuous operation would result in out of cane stops. Conversely, it was difficult to achieve efficient harvesting and transport unless the factory was reliable (which it was not) (World Bank,1981,28).

It must be pointed out that within the general failure of the outgrower scheme the outcome at Komenda was appreciably better than at Asutsuare and the process of outgrower exodus either by selling to private crushers or abandoning cane production was spread over a longer period. While the number of farmers at Asutsuare declined from 350 in 1975 to 148 in 1979 at Komenda the numbers actually increased from to nearly 400 at the end of 1977 before declining to around 150 by 1981. The different pace of breakdown at the two sites was an expression of the heterogeneity of outgrowers especially the basic difference between costs of capitalist farmers, dependent on hired labour and machinery and peasant producers dependent on household and cooperative labour (Okyere,1979,16-20).

As already indicated only a fifth of Komenda farmers used machinery or fertiliser. Komenda farmers used little hired labour<sup>15</sup> though it cost less at Komenda than at Asutsuare. At the time Okyere (1979) did his survey in May 1976 22% of Komenda farmers, compared with 90% at Asutsuare had credit from the ADB. This meant that

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<sup>15</sup> Interview with Mr Kofie, Komenda Outgrower Manager on 16 December 1981.

in addition to not having to pay for labour, mechanised services and fertiliser the majority of Komenda farmers also did not have to worry about servicing a bank debt. The primary element in the different financial costs faced by farmers at the two sites was the predominance of unpaid domestic and cooperative labour at Komenda. This did not only make up for the absence of machinery and hired labour but also resulted in the devalorisation of labour time. Devalorisation of labour time involves peasant producers faced with deteriorating terms of exchange attempting to restore their previous position by working longer hours and intensifying the use of unpaid family labour (Bernstein, 1979, 436; Goodman and Redclift, 1981, 78). Unlike the absentee farmers at Asutsuare for whom cane farming was an additional source of income and who abandoned not only cane farming but the farms, the Komenda outgrowers were dependent on agriculture for their livelihood and the majority of those who abandoned cane farming turned their lands over to food crops<sup>16</sup>.

Breaking their contracts by abandoning cane cultivation or selling cane to private crushers were the most extreme but by no means the only ways in which outgrowers responded to this situation of a combination of low prices and marketing uncertainty. Another popular response was for farmers to refuse to keep to GHASEL's harvesting schedule. At Asutsuare some farmers deliberately set fire to their farms so as to force an early harvest. The gamble did not always pay off as GHASEL responded by trying to enforce its harvesting schedule. For example in 1977 about 900 acres of burnt cane (8,000 tons) of burnt cane were left unharvested and worthless at Asutsuare. Another

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<sup>16</sup> According to Mr Kofie by 1981 more than two-thirds of Komenda outgrowers had become food farmers.

farmer ploy, which sought to exploit the unreliable nature of GHASEL's operations, was to delay harvesting cane in the hope of the crop being categorised as left over cane and paid for by GHASEL. This way the farmer got some income without any expense on harvesting<sup>17</sup>. In 1979 the GHASEL management at Komenda was forced to warn farmers that cane left over through this ploy would not be paid for.

Diverting cane to private crushers and the abandoning of farms were however the important responses of farmers, especially at Asutsuare. This of course meant that not only did the factories not receive cane but the servicing of ADB debts were affected since farmers received direct payment from the crushers. In August 1980 the Asutsuare branch of the ADB estimated that out of 236 outgrowers to whom a total of C4.87m had been lent 146 had abandoned sugar cane farming with outstanding liabilities of C3.56m (ADB,1980). Of the 90 still left in the industry the majority sold their cane to private crushers who numbered about 25 in 1980 compared with just 2, six years previously. The estates issued ineffectual threats to farmers against the sale of cane to the crushers but GHASEL officials at both Komenda and Asutsuare admitted to me that given the firm's failure to provide services and guarantee a market they could not justify seeking to enforce the provisions against sales to third parties. By 1981 it was estimated that 60% of the cane farmers still left at Komenda and three quarters of those left at Asutsuare sold their cane to private crushers.

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<sup>17</sup> See clause 4 (e) of GHASFL Outgrower Contract in Appendix 2.



#### **9.4.2. GOPDC's success story**

The story of GOPDC's smallholder/outgrower scheme is the opposite of what happened at GHASEL. Unlike GHASEL the scheme was a completely new project and therefore did not carry the baggage of antiquated equipment and entrenched agricultural practises. Once the smallholder scheme had helped allay the suspicions of farmers GOPDC's outgrower scheme drew an enthusiastic response. When Phase I of the project ended, with 202 smallholders and 116 outgrowers, there were more than 900 farmers waiting to become GOPDC outgrowers (World Bank,1984,12). Under PHASE II around 2,000 more farmers became GOPDC outgrowers with 3,500 ha of oil palm. As the project unfolded it was found that the projected maximum holding of 20 acres was too large to be properly maintained by most farmers. The average size of holding is 2.3 ha with 78% of the holdings between 1-3 ha, 9% more than 4 ha. and 13% less than 1 ha. (GOPDC,1988,4). By comparison the smallholders farm an average of 5.8 ha. It is not a requirement that the outgrower farm exclusively for GOPDC. The project is located in the heart of the pioneer cocoa growing area in Akim Abuakwa and cocoa remains the dominant crop in the area though there is also extensive oil palm cultivation outside the GOPDC scheme fed by the Oil Palm Research Centre at Kade. 50% of outgrowers also farm cocoa while 88% grow food.

Existing outgrowers/smallholders give four main reasons for finding the scheme attractive. These are the financial contribution towards the labour costs of cultivation and maintenance, the supply of inputs, technical assistance from the estate and the guarantee of a sales outlet. An indication has already been given of the scarcity of

institutional credit in Ghanaian agriculture which basically meant that the potential oil palm farmer more often than not has to rely on already accumulated capital to finance the initial agricultural investment covering labour and inputs.

Small farmers were the avowed target of GOPDC's outgrower scheme (World Bank, 1975, 8; 1984, 26). However an independent survey concluded that in fact the outgrowers, who constitute 10% of the farmers in the locality, "figure among the most favoured farming heads in terms of surface area, manpower and income" (GOPDC, 1988, 87). The average size of holding by outgrowers is 6.5 ha. This compares with a pattern of more than 94% of holdings in the Eastern Region (89% nationwide) being less than 6 ha in 1970. In 1984 while 98% of all holdings nationwide were less than 6 ha only a negligible number were above this size in the Eastern Region (IFAD, 1988, Vol III, Annex IV)<sup>18</sup>. The requirement that outgrowers show financial means has been held to be mainly responsible for the emergence of particular social strata as outgrowers.

The outgrowers are not a homogenous group being stratified according to a number of factors. 13% of the outgrowers are women while 21% have additional income from non-agricultural activity. The amount of cocoa planted by an outgrower seems an important socio-economic index. The average size of holding for outgrowers who

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<sup>18</sup> The IFAD figures are taken from the 1970 and 1984 Ghana Census of Agriculture. The World Bank on its part, quoting a 1980 survey by the Ministry of Lands and Natural Resources gives a picture of landholding in the Kwae area which deviates significantly from the regional figures in the Censuses. The Ministry of Lands and Natural Resources indicated that the average size of holdings for all crops in the outgrower zone was 4.3 ha, 65% of these were between 4-6 ha, 20% were between 2-4 ha and 14% were between 0.4 and 2 ha. On these figures the size outgrower holdings are average by the norms of the area.

have cocoa is 9.3 ha while it is 3.9 ha for those without cocoa. Outgrowers with cocoa in general have more oil palm (both private and GOPDC), more of other cash crops and also food crops. Only 38% of those without cocoa compared with 57% of those with cocoa own the land on which their GOPDC oil palm are planted. 4/5 of all the outgrowers, who are mostly tenants, have holdings of less than 10 ha. with small areas of cocoa and a little oil palm outside GOPDC and even fewer other cash crops. For these people GOPDC contract farming is the main source of income. For the remaining 1/5 with "large or even very large" (GOPDC,1988,87) farms, dominated by cocoa the size of GOPDC oil palm is large but comes into only third place compared to other types of cultivation. For this group a GOPDC contract was part of a strategy of diversification (GOPDC,1988,87/88).

Producer price has not been an issue of great conflict between growers and estate. Prices have been raised regularly (GOPDC,1988,91;Dadieh and Jonah,1987,63). The flexibility and responsiveness of GOPDC's pricing policy is mainly due to two factors. Firstly palm fruit and palm oil, unlike sugar are not political commodities subject to price controls. Palm fruit/palm oil prices have always been determined by the market. So at the time the project was being established it was easy for the government and the World Bank to agree a pricing formula which was based on the need to ensure the continuing economic viability of the project and attractive returns to the producers. No doubt the GHASEL debacle represented a model to be avoided. These two factors were reinforced by the fact that by the time the oil palms began to bear fruit, government economic policy had shifted drastically away from regulation to liberalisation (World Bank,1992).



GOPDC-outgrower relations were however not devoid of conflict. Though of fairly low intensity it nonetheless represented a struggle over the distribution of costs and benefits under the contract and therefore the terms of capital's control over the producer's labour process. GOPDC's outgrowers regularly complained that the firm's computation of what amounted to 80% of labour costs, calculated on the basis of what the estate paid for labour, tended to underestimate the real costs to the farmer. This complaint notwithstanding the money made a significant contribution to enabling many farmers undertake oil palm cultivation. Compared to cocoa, the main cash crop in the area, the process of creating a new oil palm is very labour intensive. Also maintaining the young farm requires considerable labour. Though family members and dependents constitute the backbone of the labour force, very few growers command the family labour force to adequately meet all labour requirements. All GOPDC's smallholders, who are on average older than the outgrowers, employed casual wage labour and a full 80% of them had permanent wage labourers compared to 47% of all outgrowers (GOPDC,1988,23).

Smallholders and outgrowers told Dadieh and Jonah (1987,46) about breaches of contract by GOPDC. The most frequent cited cases were non delivery of seedlings resulting in carefully prepared land going unplanted and the estate failing to observe fresh fruit collection procedures. The 1988 independent survey commissioned by GOPDC confirmed farmer complaints about inefficiencies in seedling delivery system. While farmers have been generally satisfied with the level of prices they have argued for a closer involvement with the price fixing process than simply being consulted through their organisation. One area where GOPDC appears to have conceded defeat

is on the issue of intercropping, a prohibition which is widely disregarded by farmers (GOPDC,1988,77). Many farmers intercrop their oil palms with the two main staple crops, maize and cassava. Estate-outgrower conflict has however at no point threatened the fundamental relationship between the parties. Not only have more farmers in the vicinity of the estate been clamouring to become outgrowers but existing outgrowers have been pressing for the outgrower mechanism to be introduced for the cultivation of other crops.

The contrasting outcomes of the GHASEL and GOPDC schemes show that the economic returns to the farmer is basic to the stability and viability of the contract is the economic return to the farmer. A narrow focus on the formal terms of the contract farming agreement could lead to the disregarding of socio-economic and institutional factors which determine what the subsumption of the farmer actually means in practice.



## CHAPTER TEN

### Terms and Operation of Management Contracts<sup>1</sup>

In the chapter 8 we noted that the management contracts (MCs) signed in respect of BOPP, TOPP, GOPDC and GHASEL represented an important instance of the unity of convergent and contradictory interests and power relations in the state-IDFI-TNC alliance that the projects embodied. The four MCs were not the simple products of the negotiations between and the relative strength of the parties to the agreement. In the cases of GHASEL, GOPDC and TOPP the issue was affected by the fact that the MCs form part of the totality of relations with funding organisations who also put forward their notions of what should be the terms of the MCs. In the case of BOPP the MC was based on clause 5 of the joint venture agreement between UACI and the Ghana Government. In this chapter we examine the costs and benefits of the MCs of the four case study projects from the standpoint of the contracting local firm and the host country.

In their nature MCs raise a broad and complex range of legal issues (UNCTC, 1983, iv-vii; Ghai & Choong, 1988)<sup>2</sup>. We discuss the costs and benefits of the MCs of

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<sup>1</sup> The term "management contract" covers both management contracts and technical service agreements. This is because while GHASEL has a "management contract", BOPP's "management contract" is described as a "Service Agreement" and in the case of TOPP the "management contract" is contained in two complementary agreements - a "Management Agreement" and a "Technical Assistance Contract". The discussions about TOPP generally cover both CDC and its successor, Harrisons Fleming Advisory Services Ltd (HFAS) since their contract were the same in their essentials. The two firms operated with essentially the same MCs. It was not possible to get a copy of the management agreement in respect of GOPDC, therefore the following discussion is based on secondary sources.

<sup>2</sup> The UNCTC has analysed the legal issues arising from MCs under twelve broad heads. Ghai & Choong on their part mark out six groups of issues. These are a) decision structures and powers; b) the transfer of managerial and technical skills and the localisation of staff; c) remuneration of the managing agent; d) monitoring and verification mechanisms in MCs; e) duration and termination of the agreements and f) dispute settlement and applicable law.



GHASEL, BOPP, TOPP and GOPDC under five headings: 1) the origins of the agreements; their provisions on 2) decision making powers and structures; 3) transfer of managerial and technical skills and the localisation of staff; 4) remuneration of the managing agent, and 5) monitoring and verification of the implementation of the contracts. The origins of the agreements are being examined because they help explain the character of the contracts. In addition to the provisions of the MCs and how they operated the discussion also takes account of environmental factors that influence the operation of management agreements. These include the character of the state, its strength and focus at a particular time, the history and influence of the management contractor in the country, institutional arrangements for monitoring the implementation of the agreement and possible alternatives open to the host country or local partner.

### **10.1. Origin of management contracts**

The MCs for GHASEL, TOPP and GOPDC were conditions for foreign financing of the projects. IDFI's see MCs as offering a guarantee of efficient and competent running of the projects that they funded. For many a post colonial state agreeing to an MC may arise from either a recognition of the absence of domestic capability to run a project or conceding to pressure from potential financiers that such an arrangement be made (UNCTC,1983,14). Reflecting its regular practice, the World Bank made the appointment of management contractors conditions for its funding of GHASEL and GOPDC. In both cases the Bank felt there were no Ghanaians of sufficient experience to fill top management positions, and admitted that the cost of GHASEL's expatriate staff was "very high" (World Bank,1972,19; 1975,17).

According to the Bank the Ghana government agreed with its views on the lack of domestic management capability. Even if the Ghana government was minded to resist the imposition of these management contracts its position was weakened by the stark history of poor management of State-owned enterprises of which the sugar industry and oil palm estates owned by the State Farms Corporation (SFC) represented glaring examples.

For the management contractor the preference for this particular form of involvement may be due to a number of factors (UNCTC,1983,1). These include being able to reap a number of economic benefits without incurring any of the risks associated with investments or loans. We have argued that this was the basis of HVA's involvement in GHASEL. The following discussion will offer more material in support of this. IRHO also stood to derive economic benefits without financial risks from its management of GOPDC. Where a firm has risked its capital in a project a concern to control or protect that investment can be a primary reason for contracting to manage the enterprise. This consideration partly explains BOPP's management agreement with an associated firm, which agreement must also be understood in the context of the vertical integration strategy that the project represented.

The factors behind CDC's appointment as corporate manager of TOPP reflected its "split personality" as an IDFI/TNC. CDC sought to make it being appointed manager of TOPP or failing that a corporate manager CDC approved of a condition of its



lending for the project<sup>1</sup>. Section 3 of a draft Project Agreement for TOPP tabled by CDC in its negotiations with the Ghana Government provides a particularly striking example of an attempt by a funding institution to impose an MC on a borrower. As the negotiations progressed the demand for Board representation was watered down to "a right to a non-voting representative at all meetings of the Board" and the length of the initial management period reduced to 8 years<sup>2</sup>. CDC's drive to be made corporate manager of TOPP also derived from a desire for a beneficial involvement in TOPP with minimal risk of which financial involvement through a loan rather than equity represented a facet<sup>3</sup>. It would appear that CDC's caution about investing in TOPP fitted in a wider pattern of foreign investor pessimism about Ghana. In its 1976/77 annual report the CIB/GIC expressed concern about the increasing foreign loan, as compared to foreign equity, component of new projects (CIB,1977,viii).

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<sup>1</sup> A copy of the draft Project Agreement obtained from the Attorney General's Department had an unsigned marginal comment - ""WHY? You are a creditor not a shareholder" against a provision (section 2.8) for the appointment of a CDC nominee to TOPP's Board of directors "until the loan... and interest are repaid or paid in full". In the negotiations CDC demanded to manage TOPP in its first 10 years. It also sought an undertaking that the Ghana Government will not allow the development of another oil palm project without consulting CDC and TOPP.

<sup>2</sup> (CIB/A 652/Vol 2).

<sup>3</sup> CIB/A652/Vol 2. Late in 1977 CDC wrote to the Ministry of Economic Planning expressing its concerns about the potential viability of TOPP in the light of "the current extremely high rate of inflation and the reportedly wide disparity between the official and real values of the cedi...together with the problems likely to occur due to the shortage of foreign exchange".



## 10.2. Decision making powers and structures

It has been argued that "a developing country often views a management contract as less than it is; while a transnational corporation views it as more than it is" (Ghai & Choong,13). In the opinion of the two writers this difference flows from the basic points of inherent divergence between the motives and expectations of the two parties.

On its part the developing country tends to see an MC as a technical arrangement which enables it retain significant control over the policy and to some extent the operations of an enterprise even as a need to acquire technology and skills necessitates the engagement of a TNC as manager. The presence of the TNC therefore is transient, facilitating disengagement once locals have been trained and skills acquired. TNCs on the other hand tend to overestimate the power and control an MC represents. They might see it as a device for controlling an area of economic life in the host country: a first step in their penetration of a new market<sup>1</sup>; something that enhances that country's integration into their global operations and also as laying a basis for continuing influence in the country by means such as co-opting the ruling elite.

Whether it is the objectives of a host country/local company or that of a TNC managing agent which are fulfilled by an MC turns crucially on which of them controls the local firm.

The issue of control is complicated by the fact that invariably the provisions of a management contract seriously alter the original power structure within the managed firm (Ghai & Choong,14). The provisions related to decision making structures and

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<sup>1</sup> IIVA saw its MC with GHASEL as a chance to establish a foothold in West Africa (World Bank,1981,34).

powers in the MCs of the four projects clearly reflected the fact that the dominant influence that shaped the agreements was the insistence of the funding IDFI and foreign shareholders that local personnel were incapable of managing the enterprises. In the case of GHASEL the World Bank felt a minimum of 42 expatriate personnel was required for the successful implementation of the project (World Bank, 1972, 19).

The general provisions on managerial powers in the GHASEL, GOPDC and TOPP agreements explicitly vested the management of the firms in the managing agent subject to the overall direction of the board of directors<sup>1</sup>. The further provisions that specify and detail the powers and rights of the manager however drastically qualify the powers of the shareholders and boards of directors, narrowing the scope for exercising "general direction on matters of policy"<sup>2</sup>. The World Bank (1981, 34) described GHASEL's MC as having "strong terms" which gave HVA "very broad powers with regard to day to day operations" and "full freedom to manage with assured cooperation from Government". In all cases except BOPP, a further influence on the balance of control over the managed enterprise was the fact that the schemes were intensively and extensively detailed in project documents and agreements prepared by the IDFI and accepted by the Ghana government. This severely limited the scope for the boards of directors to exercise the power that the MCs vested in them to determine the overall policy direction of the projects<sup>3</sup>. In reality it was more a case

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<sup>1</sup> Section 1 (c) GHASEL Agreement and Section 2.01 TOPP Management Agreement.

<sup>2</sup> Sections 1 and 2 Annex 1 of GHASEL MC; section 2 TOPP MCs together with articles 2.1 and 3.1 of Technical Assistance (TA) contracts; clauses 4 and 5 and Schedule to BOPP-PG MC.

<sup>3</sup> The extent of this detailing is illustrated by the World Bank's Appraisal Report on GOPDC which includes a specification of the "principal functions" of the firm's board of directors (World Bank, 1975, Annex 3).



of the board of directors having overall responsibility to ensure the implementation of what had been pre-determined.

The case of BOPP provides the most dramatic illustration of how detailed provisions drastically qualify the broad powers reserved for a board of directors. Clause 1 of BOPP's agreement with Unilever PG provides that the latter "shall assist the Board of Directors of BOPP to establish and maintain an organisation capable of conducting the management of BOPP in an efficient manner...". Upon examination of the specific powers vested in Unilever PG, the phrase "Plantations Group shall assist the Board of Directors of BOPP" borders on a misleading representation of the relationship between the parties. The real picture of the relationship is yielded by reading Clauses 1 and 2 together with Regulations 67 and 72 of BOPP's Regulations. From such a reading it becomes clear that the structure of decision making under the MC marginalises the board of directors and effects a transnationalisation of BOPP's management function by integrating it into PG's global framework.

Clause 2 of the MC provides for a nominee of PG's to be appointed as BOPP's managing director whose terms of reference are laid out in Regulation 72 of BOPP's Regulations. Under that regulation the powers of the board of directors are effectively transferred to the managing director and by extension to PG. Regulation 72, among other provisions, specifies the responsibilities of the managing director and also provides that he "... shall have collaterally with the board of directors, all the powers of the board of directors under regulation 67...". The central provision of the latter



Regulation vested the board with "all the powers of the company", including to power to borrow money and mortgage the company's assets.

The terms of Clause 5 of the BOPP-PG agreement, which provides for PG to provide "as and when required by BOPP... technical and specialist services and advice" in agricultural and agronomic research, engineering in relation to the oil mill, financial and personnel matters, are so broadly cast as to enable PG take charge of all aspects of BOPP's operations. Global integration was buttressed by clause 6 which grants a "most favoured" status to local members of the Unilever group in the provision of services to BOPP. So beneath the general provision "... to assist the Board of Directors of BOPP..." PG, through the managing director it nominates, is vested with powers which could render the board of directors redundant thereby facilitating BOPP's direct subordination to Unilever's centrally determined operational principles for all its plantations. This point is particularly significant considering the fact that the state was a substantial minority shareholder in the project with three out of the seven directors<sup>1</sup>.

Unlike BOPP's MC, the agreements for GHASEL and TOPP explicitly reserve some powers for the boards of directors. These include the power to encumber company assets. Their consent is also required for the borrowing of money and the investment of company funds<sup>2</sup>. During the negotiation of TOPP's MC the Ghanaian side objected to formulations, in the draft tabled by CDC, which they felt gave CDC too

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<sup>1</sup> Clause 5, BOPP Heads of Agreement.

<sup>2</sup> Section 4.02 of TOPP's MC; section 1 (d) GHASEL MC.

much power. The margins of a copy of the draft agreement obtained from the Attorney-General's is littered with such objections. The essence of the comments is captured by one to the effect that

"The project will be managed and operated by TOPP with a Board of Directors. The Board of Directors will delegate to TOPP as management consultant such powers as are required for the proper development of the project. Management is vested in TOPP. What we require of CDC is management consultancy."

Section 2.01 of the CDC draft which gave CDC "subject to the directions of the Board on matters of policy", "general control and management of the Company's business" was among the provisions that drew comment. The agreed version of section 2.01 was cast in the language of agency with "overall responsibility for management and operation of the Company remaining with the Board". This however did not change the essence of the power relations in the MC.

Of the four MCs BOPP's was the most summary as regards the enumeration of the powers and responsibilities of the managing agent. The detailed provisions in the GHASEL, GOPDC and TOPP MCs did not only cover the broad responsibilities of the managing agent but also deal with the qualifications and duties of officers which are to be appointed under the agreements<sup>1</sup>. These lists on one hand capture the wide powers of the managing agent. On the other hand the specification of the manager's duties both helps lessen the vagueness in some of the provisions of a many sided contract and also facilitates the evaluation of performance (UNCTC, 1983, 17). The extent to which these formal provisions were used to supervise the managing agents'

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<sup>1</sup> Section 2.1.3 TOPP Technical Assistance Contract; Annex III GHASEL MC. BOPP's MC had no specifications about the posts expatriate staff were to occupy or the required qualifications.



performance are analysed in a following discussion of the monitoring and verification mechanisms of the agreements.

### **10.3. Transfer of technology and training of local staff**

The objective underlying the transfer of technology, the training of local staff and the transfer of skills touches at the very foundation of a management contract; the sooner locals develop the ability to completely take over the running of the managed enterprise the sooner an MC will come to an end with the resultant loss to the managing agent of the benefits that the agreement brings (UNCTC,1983,40; Ghai & Choong,26). Studies have shown that because of the nodal importance of this issue for the fate of MCs, training and the transfer of technology have not received priority in situations where managing agents have had full powers to make organisational decisions for enterprises they run (Landis,1979,415). Examination of the terms and experiences with management contracts in a number of countries have highlighted contractual terms, operational factors and practices which facilitate or hamper the transfer of technology and the localisation of staff (UNCTC,1983,26-67; Ghai and Choong,26-30).

How clearly the MC provides for the transfer of technology is a general factor of fundamental importance. The owner/host country cannot assume this is covered by general contractual provisions on hiring and training of local staff or as likely to emerge as a by-product of the presence of the managing agent (UNCTC,1983,40). On the specific issue of training of local staff it is also important that the MC make clear provisions. This point has a number of dimensions. Foremost among these are



whether the MC clearly provides that training is an important task within the totality of the managing agent's responsibilities and whether the local partner made any input into the design of the training programme. Also relevant are what provisions are made on the nature of the training programme, in terms of types and levels of skill (job positions), type and level of training, combination of different types of training (formal or on-job). Another relevant factor is whether the agreement contains a time table for the localisation of staff and if so whether it gives priority to the indigenisation of any particular positions. Underpinning all this are what powers of supervision or review are vested in the local firm's board of directors or public institutions. How far the four MCs took account of these principles is examined in the following sub-section.

### **10.3.1. Training provisions of MCs**

All four management contracts made provision<sup>1</sup> for the training of Ghanaians as part of a process of transferring skills and replacing expatriate staff brought in under the MCs<sup>2</sup>. In addition to the terms of the MCs TOPP and BOPP, as entities established under Capital Investment Decree, 1973 (NRCD 141), were under a statutory duty imposed by sections 8 (2) (f) and 9 of NRCD 141 to set up programmes for training Ghanaians in administrative, technical, managerial and other skills. The training provisions of the BOPP-PG agreement are consistent with the general cast of the

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<sup>1</sup> Clause 4 of BOPP-PG agreement; section 1 (o) GHASEL-HVA Agreement, section 2.03 (c) of both TOPP-CDC and TOPP-HFA management agreements. The GOPDC Appraisal Report indicates the terms of training responsibility of managing agent (World Bank, 1972, 17).

<sup>2</sup> The five key personnel "required to assure efficient project implementation" (World Bank, 1975, 17) at GOPDC, i.e. managing director, finance manager, nucleus plantation manager, mill engineer and senior assistant plantation manager were provided by IRHO. At TOPP CDC provided seven top officials including the general manager, financial controller and estate manager. GHASEL had forty expatriates, a number the World Bank justified as "dictated by the high degree of managerial and technical skills needed in a sugar industry" (World Bank, 1972, 19).



contract, providing in clause 4 that PG "shall assist BOPP in the training of suitable Ghanaians employed by BOPP...". In contrast the terms of the GHASEL, TOPP and GOPDC MCs are imperative. An obligation to "train or ensure that the Company affords facilities for training suitable Ghanaians at all levels of employment" was one of the five principal responsibilities undertaken by TOPP's managing agent. HVA similarly was to prepare and implement a training programme for "suitable local personnel in all aspects of GHASEL's business".

All the agreements made explicit provisions for the preparation of training schemes, varying in the time frames stipulated for the submission of the programmes to the various boards of directors and also in the clarity with which they provide for local input into the design of the programmes. In all cases except GOPDC there was no explicit provision for a local input into the design of the training programmes beyond the board's power to approve. GOPDC's MC provided that the training programme was to be prepared by IRHO in consultation with Government. In TOPP's MCs the training programmes were subject to the general direction of the board who also had a power to approve reviews. In addition to a broad power to approve the programme submitted by HVA GHASEL's board was explicitly vested with a power to annually review and if necessary modify the programme "bearing in mind results so far achieved". As regards time frame for the submission of training programmes by the managing agents, HVA was placed under a vague duty to "promptly prepare" and submit a programme. PG was to submit a "detailed programme" to BOPP's board within a rather lengthy two years from the date of effectiveness of the MC compared

with HFA and IRHO who were expected to submit their programmes within six months to TOPP and GOPDC respectively.

It is for only the GHASEL and GOPDC training programmes that we have some details (World Bank,1972,19;1975,Annex 3,4). Both were expected to cover specific types of skills using different types of training. The World Bank expected GHASEL's training programme to have "staff" and "non-staff" components. The former covering personnel with university degrees and comprised of on-job training followed by study assignments abroad including periods of work with sugar industries for periods of up to nine months. Non-staff training was to be conducted at a company Training Centre and was to include "upgrading courses for artisans; practical courses for school graduates; training courses to provide qualified foremen; and advanced training courses for promotion to staff." (World Bank,1972,19).

Of the four MCs GHASEL's agreement had the clearest provisions on the role of the board of directors in the supervision of training programmes. Under section 1 (o) the managing agent was under an obligation to make half yearly reports to the board of directors who were to review the programme annually. The GHASEL contract though it spoke of "replacing" expatriate personnel, like all the other MCs, did not have a definite time-table for the localisation of posts. The GOPDC MC also envisaged the "replacement" of foreign personnel; the BOPP and TOPP MCs however talked about "reducing" reliance on rather than "replacing" foreigners. In all the four cases the MCs contained the standard provision that processes of "reducing" or "replacing" foreigners must be "consistent with the continued and efficient conduct" of the



enterprise's operations. At GHASEL the replacement was to be "in the shortest possible time" while in the case of GOPDC the Bank was of the view that "though broad timing targets should be set, the replacement of key expatriates should not be tied to a fixed period but be based on the assessment of the capacities of the Ghanaian staff available" (World Bank, 1975, Annex 3,4).

While the predication of localisation of staff on continued efficiency is commonsensical it meant that ultimate power over the process lies with whoever determines the capabilities of relevant Ghanaian personnel. None of the four agreements had clear provisions on whether this power was vested in the managing agent or the board of directors but clearly provided that the day to day management powers of the agent included the hiring, promotion and firing of staff<sup>1</sup>. The combined effect of the preceding points and the absence of clear time tables was to effectively leave the process of indigenisation in the hands of the very entity that stood to lose from such an exercise. This notwithstanding the fact that the boards of directors retained overall authority over company policy including the training and localisation programme. This is because the ability of a board of directors to review the progress of implementation is circumscribed by the fact of having to rely on the same managing agent for information on the goings on in the enterprise and the fact that even where the board is not comfortable with the performance of the agent independent attempts at getting information on the operations are unlikely to yield more than is in the possession of the agent.

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<sup>1</sup> Section 1 (f) (i) of GHASEL MC; section 4.01 TOPP MC; BOPP Regulation 72 (d). The powers of GOPDC's managing director, a nominee of IRHO, included the "recruiting and controlling of staff" (World Bank, 1975, Annex 3,3).

The relative weakness of the staff training and localisation provisions of the MCs are due to the fact that the agreements were primarily shaped by the concern of funding IDFIIs about efficient management of projects they were investing in. the "self reliance" proclamations of the NRC/SMC which was in power when the BOPP, TOPP and GOPDC MCs were signed notwithstanding. For example the recital at the beginning of the GHASEL-HVA agreement justifies the MC in terms of the conditions to be fulfilled for IDA funding of the rehabilitation scheme. It will also be recalled from Chapter Seven that the Ghana Government invited CDC to manage TOPP "in order to ensure, from the beginning an efficient and effective operation of the company". In the case of BOPP the MC was mainly an instrument for the integration of the firm into Unilever's world-wide plantation organisation.

Although some training of local staff was carried out at all the four firms, the management of TOPP, BOPP and GOPDC remained in the hands of expatriate managing agents more than ten years after the projects were initiated. A World Bank/FAO study (1989,Annex 1.3) obliquely sought to justify this state of affairs by arguing that "it often happens that withdrawal of management consultants results sooner or later in the deterioration of the enterprise". This argument is an unintended adverse comment on the legacy of managing agents in respect of transfer of skills to locals. In this regard it is noteworthy that the quality of training provided by HVA has been part of the controversy about the factors that led to the dismal failure of the GHASEL rehabilitation scheme (World Bank,1981,29-30; MDPI,1980,passim).



A government commissioned assessment of GHASEL<sup>1</sup>, carried out in the last days of HVA's management, noted that "some kind of training had taken place" but concluded that "having regard to the fact that the contract with HVA was to be terminated at a specified period, the method of training was not enough to equip the subordinates with the standard of competence required to enable them take over from the HVA staff at the end of the contract period" (Abedi,1978,16). A post-project audit commissioned by the GHASEL board claimed that "with regard to training of Ghanaian staff, the general feeling among the Ghanaian staff is that not much was gained from the Dutch in terms of training" ((MDPI,1980,99). The report argued that the lack of trained Ghanaian personnel contributed to the poor outcome of the project. The problems created by GHASEL's difficulty in recruiting qualified Ghanaians was compounded by the fact of those who were employed feeling frustrated by the attitude of HVA's personnel, "more importantly the general feeling that the Dutch were not prepared or willing to train the Ghanaian staff" (MDPI,1980,44).

The World Bank however took a contrary view. Its Project Performance Audit Report on GHASEL (1981,29-30) argued that "while there are reports that insufficient training was undertaken by HVA, it is considered that the training facilities provided were good" (p.29). This assertion is however significantly qualified by other information in the Report. For example it accepted that HVA contributed to the acknowledged ineffectiveness of training of seasonal staff by not quickly defining the objectives of

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<sup>1</sup> The enquiry was instituted by the Ministry of Economic Planning in April 1978 following a meeting between the Commissioners for Economic Planning, Industries and their top civil servants and the chairman of the board of directors of GHASEL. It submitted its findings: *Report of the Committee of Investigation into the Affairs of the Ghana Sugar Estates Limited*, to the Commissioner for Economic Planning in May 1978. The Report is hereafter referred to as the "Abedi Report", after its chairperson.



such training. It also pointed to what appears to be undue delay by HVA in initiating training.

Despite the fact that HVA was involved with the GHASEL project from the appraisal stage it took two years, from when it took charge, to meet the contractual requirement to present a training programme in the "shortest possible time". The first training officer was appointed in January 1975 and training started later that year. The Audit also implied that the training programme, particularly at Asutsuare, was affected by the "overriding need to operate and maintain the factories". This impeded the release of some technical employees for training, also HVA training engineers "spent most of their time attending to essential factory work". Most significantly the World Bank talks of "acknowledged difficulties in implementing a comprehensive training programme in a deteriorating situation" leading to "increased friction between HVA staff and Ghanaians at Asutsuare" (World Bank,1981,30). As of March 1978, three months before HVA's contract ended, HVA personnel dominated GHASEL's top management positions, especially at Asutsuare; accounting was the only department where Ghanaians took full control in the course of the project (MDPI,1980,100; World Bank,1981,32).

The shortcomings of HVA's training regime were located within a wider failure of the MC to specifically define the transfer of technology as a principal goal of the arrangement <sup>1</sup>. The agreements for BOPP, TOPP and GOPDC were similarly

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<sup>1</sup> The opening recital of the GHASEL MC located the agreement as the product of IDA conditionality for funding the project.

deficient<sup>1</sup>. This flaw was not corrected by the provision in the four MCs epitomised by section 1 (e) of the GHASEL-HVA contract whereby HVA undertook to make "all necessary technical, agricultural, commercial, management skills... for the successful operation of the business" available to GHASEL. In the cases of GHASEL and BOPP the failure to locate training of local staff within a broad concept of technology transfer meant that the training programmes did not cover the skills possessed by employees of the managing agent who came down periodically as part of the back up specialist services to the managed enterprise. This function was provided for by all the MCs<sup>2</sup>. The GHASEL MC made detailed provisions for types of officers to visit and the minimum numbers and duration of such visits, this however being subject review by the parties. The BOPP agreement on the other hand generally provided for PG to provide BOPP with specialist services and advice in specified areas "as and when required" while under the TOPP MC the managing agent was to use "its best endeavour to arrange such visits by specialist advisers" as the Board after consulting the agent may require or the agent after consulting the Board may consider advisable.

Generally while yielding immediate benefits to the managed enterprise by providing expert knowledge for the solution of current problems such visits have the potential to deepen the managed firm's dependence on the managing agent in the absence of a clearly defined programme to localise those skills and can be consciously so used by

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<sup>1</sup> See clauses 1 and 5 of BOPP's MC and Section 2.03 (a) and (e) of TOPP's MCs.

<sup>2</sup> Sections 1 (h) and 6 (a) (i) of GHASEL MC; clause 5 and 8 (2) of BOPP MC; sections 2.04 and 2.05 TOPP MCs.

the managing agent so as to spin out a lucrative relationship with the managed enterprise (Ghai & Choong,1988,57). Such dependence also involves its own specific financial cost to the managed firm in addition to the usual obligation to pay the travel, accommodation and daily subsistence costs of the visiting expert. These points are illustrated by the cases of BOPP and GHASEL. They also give credence to the argument that the "transfer of technology by osmosis has yet to be established as a practical solution for developing countries" (UNCTC,1983,40) and that contractual provisions for the training of local *employees* are not enough to ensure the transfer of technology and skills under an MC thereby ensuring an end to reliance on foreign experts.

In a document forwarded to the CIB/GIC in 1988 the management of BOPP proudly proclaimed that one of the benefits of the firms' MC with PG was the indigenisation of ten of the eleven top management positions within the firm's first 12 years (BOPP,1988,1). Presumably the only expatriate left being the all powerful, PG-appointed managing director. It is logical to expect that such progress will bring with it a reduction in BOPP's dependence on PG and associated financial cost. Not so. The BOPP-PG MC initially provided for the payment of an annual service fee of £17,000 by BOPP to PG. Twelve years later, i.e 1988, the fee had risen to £98,000. In a memo to the CIB/GIC about BOPP's expansion plans over the period 1988-1994, the firm's management indicated that the service fee would rise progressively to £138,000 by 1994. This was on account of greater support from PG and "an increase in specialist short term visits" (BOPP,1988,2).



An examination of the documentation that BOPP regularly forwarded to the CIB/GIC and the Bank of Ghana over the years in support of its applications for the transfer of service payments to PG show that throughout the 12 years (1976-1988) BOPP's requests were essentially in the nature of filling out a standard form, the only changes being the increasing sums paid to PG. The services supposedly rendered by PG in 1988 were exactly the same as those of 1976: the same six heads of claims, the same statement of claim word for word. BOPP's defence of the escalating cost of PG's services buttress our argument that the relationship between BOPP and PG was part of the integration of the former into Unilever's world wide plantation organisation and that there was no intention to effect a transfer of technology such as would end the link between BOPP and PG. A document submitted to the CIB/GIC by BOPP<sup>1</sup> argued that:

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<sup>1</sup> Schedule 4, letter of 8 January 1988 from managing director, BOPP to Chief Executive, GIC in GIC TT.10 (BOPP and Unilever PG).

International research and development is constantly creating new opportunities to improve performance. BOPP must continue to progress by obtaining the benefit of international experience if it is to remain in the lead a an efficient palm oil producer... The company is too small and is not sufficiently wealthy to develop its own research, specialist engineering, agricultural and training resources nor the very scarce computer development skills all of which are required if it is to maintain its recent progress. *It is Plantation Group's objective to recover the total cost of providing these services from the fees it recovers from its worldwide Plantations activities. At present the BOPP fee is approximately in line with the apportioned share of the cost.* (italics added).

The last two sentences are an almost open admission that the "fee" charged by PG was based more on a central corporate decision than the real cost of the services PG rendered to BOPP, thereby allowing Unilever to regularly take an increasing amount of money out of a foreign exchange starved economy with a tight exchange control regime (Plasschaert, Murray,1981).

The case of GHASEL shows how expensive dependence on back-up services from a managing agent can be and underline the imperative for management contracts to make clear provisions for a comprehensive transfer of technology and not merely for the training of *local employees*. Under section 1 (h) of GHASEL's MC HVA was to "provide back-up facilities and advice from its organisation outside Ghana" including arranging for "periodic visits to Ghana of its MD, top management staff and specialists *as and when deemed necessary by GHASEL for such periods and assignments as may be agreed upon by HVA except that in an emergency HVA shall arrange such visits and justify them to the Board*" (italics added).

Considering HVA's control of day to day management at GHASEL it was certain in the normal course of things to have an important influence on decisions about the appropriate time for back-up visits. Combined with the emergency powers it gave to HVA to by-pass the Board, the MC effectively vested ultimate power to decide on such visits in HVA. The agreement assumed a heavy flow of traffic under this head laying down minimum numbers of and duration of visits by five categories of HVA officials. In the projections for the disbursement of the IDA credit for GHASEL \$1.773m out of the \$15.6m was allocated for the cost of such visits, slightly more than the \$1.68m that was to cover direct management fees. The MC explicitly indicated that this management fee covered HVA's provision of training for locals and no separate remuneration was due in that regard. The project completion report showed a considerable cost overrun, 230 per cent, in respect of back-up visits and services provided by HVA, with the actual cost standing at \$4.075m. In the controversy that followed the failure of the GHASEL scheme the issue of how much the managing agent benefited the project was very much to the fore. This issue is discussed in the following sub-section.

#### **10.4. Remuneration of the Managing Agents**

Payments to a managing agent are the most obvious cost of a management contract to a firm/host country and benefit to the managing agent. Payments to the managing agent under all four contracts included i) a basic fixed management fee, ii) salaries and related expenses of seconded management staff, iii) payment/reimbursement of specified costs related to the project such as the travel, boarding and subsistence expenses of visiting back-up staff. BOPP and GHASEL had additional payments to



make to their managers. In the case of GHASEL there were four additional categories of payments to HVA. These were incentive fees based on production and net profit, and a 4% commission payments to HVA for specified procurement on behalf of GHASEL and payment for a sugar industry expansion study. Under clause 8 (1) (a) of its MC BOPP was to pay PG "recognised professional scale fees for all project design work undertaken by Plantation Group Engineering Department".

Many a time however it takes a spectacular incident, such as the failure of GHASEL, for attention to turn to whether or not a management contract has been worth its financial costs. This question is not easily answered for a number of reasons. Even in cases of poor project results such as GHASEL, the cause and effect relationship among contributory factors, including poor management, may be nigh impossible to completely disentangle. More fundamentally determining what is a "fair and equitable" payment to a managing agent is not easy, partly because of the difficulty of settling a market price for the package of services to be provided and skills transferred under the contract.

The earlier discussion of the escalation of PG's annual fee and the cost of HVA's personnel is enough indication that expatriate management was a significant cost for the projects. CDC's seven year management of TOPP cost at least £1.2m, made up of about £350,000 total basic management fee for the period and over £850,000 in salaries and related payment for seconded staff and expenses of visiting specialist staff. HFA's 18 month management cost £310,878, covering basic fee and personnel

salaries and expenses<sup>1</sup>. The World Bank allocated \$430,000 of its credit for GOPDC for the salaries of IRHO personnel and another \$80,000 for "technical assistance and training". For a perennially foreign exchange starved country such as Ghana all this represents a lot of money. This is no less so because the costs of management in all cases, except BOPP, did not constitute immediate charges on Ghana's foreign exchange resources, being covered from the project financing provided by the World Bank in the case of GHASEL and GOPDC and for TOPP by the EDF.

The costs to a firm/host country and benefit to a managing agent can be considerably affected by the formulae that governs payment to the agent (UNCTC,1983,71; Ghai & Choong,31). In the case of BOPP, Unilever's export of capital via an upward review of the basic fee paid to PG, which drew on the national stock of foreign exchange, was made possible by clause 8 (1) (b) of the MC which provided that after a fixed fee of £17,000 in the initial four year contract period the fee was to be "reviewed... in the light of the then cost to Plantation Group of providing such services".

While the terms of the other three MCs offer no scope for the manipulation of the basic management fee by associated companies the experience of GHASEL shows that the other heads of payment to the managing agent were by no means devoid of opportunities for him to increase his financial returns. Of the seven sources of income

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<sup>1</sup> Remuneration and Expenses of TOPP's managers are covered by section 6 and Chapter 5 respectively of TOPP's MCs and TACs respectively. CDC received a basic fee of £50,000 in the first year, with increases in the subsequent years of the seven year contract linked to the UK Index of General Retail Prices.

for the managing agent contained in the GHASEL MC no less than four potentially favour the manager. As a general rule separate fees for specified services, outside the basic management tend to increase the total amount paid to a managing agent. Also in the absence of supervision and monitoring by the owner reimbursable expenses by a managing agent on services such as visiting supporting staff can be substantial (UNCTC,1983,75). The experience of GHASEL confirmed the weight of the above stated caution.

Under the project an estimated \$4.3m was to be spent as fees for management and payment for other services to be provided by HVA, with \$1.68m earmarked for the management fee. The annual basic fee under the five year management contract was estimated at a maximum of \$300,000 in the first three years with no ceiling for the remaining years, on the assumption that the company would then be profitable. This basic fee had three components. The first being an annual fixed fee, starting with \$200,000 in the first year and progressively falling to \$100,000 in the final year. The second component was a production fee amounting to 3% of sugar output in the first and second years, 2 in the third and 2% in the fourth and fifth years based a price of \$190 per metric tonne of sugar. Finally, from the third year of the MC HVA was to receive 2% of GHASEL's net profits, as defined by section 6 (a) of the GHASEL-HVA contract, as part of its management fee.

Because of the poor outcome of the project HVA's total take as basic management fee was just over \$776,000, less than half the \$1.68m earmarked by the IDA under the Development Credit Agreement (World Bank,1981,Annex 12). Despite this shortfall



the total amount of the project funding that HVA received as payment for its services exceeded the original projection by more than \$1.5m. Actual expenditure on HVA visiting personnel, cost of HVA conducted industry expansion study exceeded projections by significant margins. In percentage terms the most startling overrun was the 437% increase in the cost of the industry expansion study from a projected \$45,000 to \$197,000. The increase in personnel costs which we have already mentioned represented a 230% overrun on estimates.

While it is possible to argue that the phenomenal difference in personnel expenses was due to the management demands of project the fact remains that HVA lost nothing but rather made more money as the scheme run deeper into trouble. The World Bank's project audit report (1981,35) strongly criticised HVA for failing to periodically and realistically review and assess the risks of failure, already high at the start, which were increasing with every year's lack of success. It argued that HVA could have taken a strong stand with regard to continued participation in a project which lacked the resources to be successfully implemented. What this criticism seems to have forgotten is that HVA incurred no losses as a result of the failure of the project. The report (ibid) offers the smallest hints about the economic calculation that made HVA persist with a project which offered no returns to its owners:

"even as there were ominous signs that the project would not be achieved as intended, they [HVA] pinned their hopes and sights on the new projects which they had been commissioned to prepare.

It was not in HVA's interest to take a strongly pessimistic view about the project; not only would management fee payments have come to an end but also the other income

from personnel expenses and preparing never to be projects would have been lost. It is however arguable that serious shortcomings in the monitoring of the implementations of GHASEL MC contributed to huge cost overruns incurred by GHASEL in respect of HVA services.

### **10.5. Monitoring and Verification Mechanisms**

We can identify two main categories of instruments and mechanisms for monitoring and ensuring the compliance by the managing agents with the terms of the four MCs. The first group are the general and specific duties of reporting and accounting which the contracts imposed on the managers and the related general powers of the boards of directors over the affairs of the firms and the specific right to demand compliance with explicit terms of the MCs. The second line of control is represented by the statutory powers and responsibilities of public bodies such as the CIB/GIC and the project supervision activities of participating IDFI. Because of state shareholding in the projects and the presence of its nominees on their boards the two levels of monitoring and supervision overlapped<sup>1</sup>.

#### **10.5.1. Enterprise level monitoring and supervision**

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<sup>1</sup> The TOPP board was dominated by representatives of the parastatals that were the majority shareholders. Three out of BOPP's seven directors were government nominees. GOPDC's seven-person board had four direct state nominees alongside the IRHO nominated managing director, a representative of the outgrowers and also from the government appointed Kade District Council. The representation of the outgrowers and local council on GOPDC's board was a marked improvement on the other World Bank project, GHASEL, where they were not represented. The six member GHASEL board was chaired by the Commissioner for Trade and Industries and included the executive chairman of the CIB, the managing director of the Agricultural Development Bank (ADB), the Chief Executives of the Central and Eastern Regions and the HVA appointed managing director of GHASEL.

It has already been argued that the more detailed the spelling out of the managing agent's functions and responsibilities, the greater the possibility for effective supervision by the board of directors. We have also noted some of the specific duties imposed on managing agents to prepare and present reports to the boards of directors on various goals set by or elements of the MCs. There were other such requirements.

For example TOPP's managers had to present quarterly progress reports to the board and Government and submit annual technical and financial reports and accompanied by a work plan for the following year to the board, the government and the Commission of the EC. The approval of the reports by the Government and EC was a condition for the release of funds for the succeeding year<sup>1</sup>. HVA's duty to report to the GHASEL board on the progress of its training programme was just one of many such obligations. More generally it was to submit monthly progress reports, annual accounts and balance sheet to the board three months after the end of each financial year<sup>2</sup>. Unlike TOPP's MCs under which the managing agent had to present and have a final report accepted before final payment, GHASEL's agreement did not require HVA to prepare a final report on its stewardship<sup>3</sup>.

In principle the general proviso in all the management contracts subjecting the work of the managing agent to the general direction of the companies' boards of directors

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<sup>1</sup> Section 3.3.1.1 - 3.3.1.4 of CDC-TOPP TAC and section 3.4.1 and 3.4.2 of HFA-TOPP TAC.

<sup>2</sup> Section 1 (m) and (n) of GHASEL-HVA Agreement.

<sup>3</sup> Article 10.3.3 TOPP-HFA TAC.



offered a versatile tool for controlling over the activities of the agent. Experience elsewhere has however shown that in practice this "catch-all" clause is a rather blunt instrument, not very effective for policing a manager. The limitations of the provision flow from the very bases of the MC. The arrangement implies a recognition on the part of the owners of an enterprise that the managing agent has superior knowledge and ability for the tasks for which it is contracted. As our cases show, this fundamental inequality usually results in the manager being given wide powers from the very beginning. This combination of the owners relative lack of expertise and the powers vested in the manager make the evaluation of performance difficult (UNCTC,1983,14-15; Ghai and Choong,42).

The board of GHASEL took the wide powers vested in HVA as the defining context for the exercise of its supervision and monitoring of the MC. HVA regularly reported to the board as required under the agreement. The board however abdicated its responsibility to look beyond these reports and their predictions and proposals and relinquished its broader role of assessing the project's core issues and problems. Throughout the project they never queried HVA's consistently over-optimistic assessment and projections (World Bank,1981,34-35). It was only after HVA's departure that the board set up an enquiry into the operations of the industry (MDPI,1980). The first initiative for an independent assessment of HVA's performance came in the fifth year of its management, not from the board of directors or any of the state institutions represented on it, but from the Ministry of Economic Planning (Abedi,1978).

The Abedi probe, among other things, found HVA personnel failed to create fruitful working relationship with Ghanaian staff. It hints at racist behaviour by HVA personnel. Dissension, suspicion and antagonism among employees as a result of this, permeated the whole organisation. Workers considered agitators by the HVA management were victimised through denial of promotion. An "unsatisfactory" method of employment, dismissal and promotion "created warring groups in the company". The situation was so bad that "a Ghanaian worker who found reason to be on good terms with the expatriate staff was considered a betrayer (sic) by his fellow Ghanaian workers". The Committee was of the opinion that "the personnel state of affairs has adversely affected the overall performance of the company" (Abedi,1978,15).

One of the reasons why the GHASEL board woefully failed to fulfil its general and specific supervisory mandate was because the state representation which looked so strong on paper was in practice a weak one. The named directors were very high and busy officials with wide responsibilities. In practice therefore their positions were ex officio, active responsibility for which fell to civil servants. Just as has been experienced elsewhere the devolution of such responsibility to civil servants weakened the state's ability to effectively use the board's monitoring and supervisory powers (Ghai and Choong,15-16). Apart from lacking the commercial and technical expertise to evaluate the work and proposals of the managing agent there tends to be a regular turn-over of representation since the position attaches to a job schedule in the relevant state institution so responsible officials may not have enough time to matter the brief

even if they were interested and could fit it in with their many other responsibilities<sup>1</sup>.

The World Bank's project audit hints at both lack of expertise and turn-over of directors as factors in the lethargic role of the GHASEL board. The report (p.34) notes that

"As part explanation of the Board's lack of active participation, its membership consisted mostly of senior officials (*or their alternates*) of various ministries or government-controlled agencies, forming a Board that lacked the vitality and motivation to carry out its assigned oversight functions."(italics added)

In contrast with the case of GHASEL the role of the BOPP board in the operation of the firm's MC was more a case of actively facilitating the realisation of Unilever's corporate strategy than of failing to exercise supervisory responsibility. Unlike the case of GHASEL, TOPP and GOPDC where the relationship between the owners and the managing agent was inherently antagonistic, the majority shareholders in BOPP and the managing agent were associated companies. As we have noted this was reflected in the way the MC structured their relationship. Unilever's majority on the BOPP board was buttressed by the already discussed company regulations which sidelined the board of directors. Realistically it was only through the use of monitoring and supervisory powers vested in public bodies such as the CIB/GIC that the state could police the BOPP MC.

#### 10.5.2. Monitoring by public bodies

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<sup>1</sup> In an interview on 29 October 1981, Mr Okine, Technical Adviser at the GHASEL head office complained about the quality of the board of directors of mainly Civil Servants. He was also highly critical of the "ignorance" of officials in the Ministries who he described as "having no understanding of the nature of the sugar industry".



It is not only local state/public bodies that had a role in the monitoring of the implementation of the MCs under discussion. In the cases of GHASEL, TOPP and GOPDC funding IDFI's, who provided the money for the payment of management fees, represented an additional layer of extra-firm monitoring. We have already indicated that TOPP's MCs required the EC Commission's approval of the manager's reports for the periodic release of EC funding for the project. It is in respect of only the BOPP and GHASEL MCs that we have data on monitoring by local and international public bodies. The following discussion looks at the BOPP experience of monitoring by the CIB/GIC and the World Bank's monitoring of HVA's performance at GHASEL.

Until the passage of the Investment Code, 1985 (PNDC Law 116) no public body had specific powers to oversee the terms and implementation of management/technology transfer contracts. Despite this gap in the law the broad terms of section 7 of the Capital Investment Decree, 1973, which lay out the criteria which should guide the CIB/GIC in granting approval for investments and section 10 of the same Decree which gives the Board power to request information or any other evidence on how an investment is meeting the conditions imposed on it offered a legal basis for the CIB to develop a policy and practice of monitoring management contracts. Such a policy would have covered GHASEL, BOPP and TOPP, approved investments under NRCD 141.

The indications are that no such practice was developed. Strong evidence in support of this view is offered by the fact that it was only in 1986, ten years after it came into

force, that the CIB/GIC for the first time took a critical look at the BOPP-PG contract and raised substantial objections to many key provisions. The CIB/GIC query followed BOPP's submission of a copy of its agreement with PG to the CIB/GIC, in compliance with section 29 of the Investment Code, 1985<sup>1</sup>.

The objections of the GIC's Technical Committee on Technology Transfer (TCTT) to the BOPP-PG agreement fell under eight main heads<sup>2</sup>. These related to 1) the provisions on duration and termination of the MC, 2) the inadequacy of the training provisions, 3) the breadth of the provisions on the supply of technical and specialist services by PG, linked to this 4) the specific services PG rendered to BOPP and 5) the computation of fees paid to PG, 6) the details of the Schedule which lists the services to be performed by PG. The Committee also objected to 7) exclusive right given to local Unilever companies to supply services to BOPP and 8) the period for notices under the agreement. It was on only the last point that the Committee recommended a liberalisation, that the period of notices under clause 10 should be changed from 7 to 28 days "in view of the problems with the country's postal system".

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<sup>1</sup> Part V of the Investment Code, 1985 deals with technology transfer agreements. Section 27 requires the CIB/GIC to keep a record of all such agreements, evaluate them and monitor compliance with their terms. Section 29 required that copies of agreements in force before the coming into force of the Code should be lodged with the GIC within 6 months of the Code coming into force. Section 30 empowers the GIC to make regulations to govern technology transfer agreements and lays out the principles on which such regulations should be based.

<sup>2</sup> Memo of 14 April 1987 from chairman TTCTT to chief executive, GIC in GIC/TT.10.

The BOPP MC fell foul of the requirements of section 30 of the Investment Code on 1) reasonableness of duration of technology transfer agreements, 2) restrictive business practices, and 3) transfer and absorption of technology. The TCTT's objected to the provision that after its initial stipulated duration of four years, which expired on 21 January 1980, the MC was to run indefinitely until terminated by either party upon six months notice<sup>1</sup>. It made the rather vague and puzzling proposal that Unilever "should initiate steps to reduce BOPP's dependence on Unilever Limited". A number of other recommendations were located within this general objection to an indefinite relationship between BOPP and PG.

The TCTT "was not happy that BOPP was always relying on Unilever Limited for all their technical and specialist services" and recommended that clause 5 of the MC which covered the provision of such services be amended to cater for the use of local engineering and research companies. In this connection it specifically disallowed clause 6 which limits the provision of local services to BOPP to only associated firms. The TCTT also asked that Unilever should prepare a detailed programme for training Ghanaians to take over the functions performed by visiting PG personnel and also proposed that the schedule to the agreement be amended to reflect PG's "intention to assist BOPP to have its own, research, engineering, financial and personnel services".

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<sup>1</sup> When asked to justify why the agreement was still in force, 10 years on BOPP, in a letter of 23 October 1986, gave the opaque and banal answer that "it is in existence because it governs the ongoing relationship between the partners and deals with a variety of matters including commercial and financial matters".



The TCTT's close examination of the breakdown that BOPP provided of the £98,125 fee paid to PG, for the period July 1985 to June 1986, led it to challenge the very core of the agreement. BOPP broke down the fee paid to PG as follows:

1. Obtaining information and quotations, and giving advice on agricultural, factory, machinery and spares.  
= £20,038
2. (a) Technical advice on factory, housing, transport, water supplies, etc.  
(b) Perusal and comment on monthly technical reports submitted by site.  
= £29,972
3. Agricultural and Agricultural Research advice including the knowledge of experimental work in plant breeding and the most modern principles of plantation development and management.  
= £31,827
4. Commercial advice including financial policy, procedures and accounting systems together with costing information in relation to other countries when applicable.  
= £5,736
5. Personnel advice including management recruitment for overseas, secondment, guidance on salary policies and training programme for management and staff.  
= £5,960
6. Specialist services including advice on taxation, secretarial, legal and insurance matters as may arise from time to time.  
= £4,592

The Committee recommended that only items 2 (b) and 3 should be maintained. In its opinion the services under items 1, 2 (a), 4, 5 and 6 "could be efficiently provided by Ghanaian personnel or companies. This would mean a substantial reduction in the fees being charged by Plantations Group". The Committee recommended that in future fees paid to PG should not exceed 2 per cent of BOPP's net sales.

The recommendations of the Technical Committee formed the bases of negotiations between the CIB/GIC resulting in a new agreement between BOPP and PG in August 1990, valid for five years. Key provisions of the new agreement however diverged

from the recommendations of the Committee. Significantly the concern to effect a "substantial reduction in the fees being charged by Plantations Group" was not reflected in the new contract which provided for the fees paid by BOPP to rise each year, from £98,125 in 1989 to £138,000 in 1994. The GIC's acceptance of this particular element of the new agreement was illogical considering the amendments to the MC that implied a progressive reduction of PG's services to BOPP. Thus the outcome of the CIB/GIC's questioning of BOPP's MC proved to be something of an anti-climax, leaving a sense that Unilever's lobbying had prevailed over the recommendations of the TCTT.

The considerable freedom the World Bank had over the shaping the GHASEL scheme was retained throughout the life of the project<sup>1</sup>. Article V of the Development Credit Agreement for the project gave the Bank wide powers for the supervision and monitoring of the project. On its own admission the Bank's contribution to the disastrous outcome of the project included its poor monitoring of the managing agent and verification of the implementation of the terms of the MC (World Bank, 1981, 40). During the life of the GHASEL scheme it was listed "a problem project" by the World Bank on three separate occasions: at the very beginning in 1973, 1974-1975 and in its very last year, 1978 (World Bank, 1981, 2). This characterisation was not

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<sup>1</sup> A striking example of this is provided by the Bank's role in the preparation of a sugar industry expansion study (Ministry of Finance and Economic Planning File no. MEA/EAD/413.1). A letter of 18 June 1975, from the Bank to the Ministry of Industries, commenting extensively on a proposal from HVA concluded that

"As the Government has selected, with IDA agreement, HVA to undertake the feasibility study, we would like to suggest that IDA be authorised to draft in consultation with HVA, revised terms of reference for the proposed study for Government's consideration."

reflected in the Bank's supervision of the project. Between October 1974 and May 1978 the Bank sent only three supervision missions to the project, compared with eight in the 18 months from March 1973 to October 1974. None of these missions had specialists on sugar cane cultivation or factory operations! (World Bank, 1981, 40).

Like GHASEL's board of directors, the World Bank was seduced by the reports HVA regularly submitted. According to the project audit (p.40) "considerable reliance" was given these reports the short term forecasts of which the Bank's project auditors belatedly found to be "invariably optimistic, thus building false expectations" which affected the Bank's view of the project. Barely a year before the end of HVA's contract Bank officials were still making positive comments about the firm's management of GHASEL<sup>1</sup>. The audit report concluded that

"With hindsight, a stronger supervision effort using specialist consultants might have produced a more balanced view... it is difficult to avoid the conclusion that the project should have been the object of a serious in-depth review at sometime during implementation" (p.40).

The financial costs of the failure of GHASEL were substantial. Total projects costs at \$41.3 million were way above the original estimate of \$24.8 million. The company run losses in every year of the project. As of September 1978 accumulated losses amounted to C26.3 million most of it covered by short term loans from the Government, amounting to C19.0 million (GHASEL, 1981, 5). So a project which was expected to meet a large part of home demand and yield substantial foreign exchange savings ended up a major drain on the resources of the Ghanaian state.

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<sup>1</sup> Minutes of meeting of 24 March 1977 between officials of the World Bank and Ministry of Economic Planning in MFEP file no. MEA/EAD 413.1.



## CONCLUSION

This work has examined the role of law and state in the internationalisation of agricultural capital in colonial and post colonial Ghana. The discussion has been based on the premise that the nature and role of law and state cannot be understood outside concrete historical conditions and social relations. Consequently the analysis has centred around the involvement of merchant and industrial capitals in cocoa production in the colonial period and the involvement of state, international finance and industrial capitals in post colonial sugar and oil palm production. The main focus of the analysis was on:

- a) the changes that took place in the form of landed property and "customary land law" as a result of the character of agrarian transition that followed formal colonisation, a transition which took the form of a deepening subsumption of the peasantry by capital rather than their expropriation and transformation into formal wage labourers;
- b) the role of the new forms of landed property and contract in the subsumption of peasant producers by capital;
- c) the overt and mediating role of the state in the relationship between capital and the direct producers;
- d) changes in the nature of b) and c) as a result of post Second World War changes in the internationalisation of capital and the post colonial shift of the state's emphasis from export agriculture to production for the home market.

The defining characteristic of agricultural production in colonial and post colonial Ghana is the dominance of smallholder peasant production. This is due to the nature of the agrarian transition that followed formal colonisation. This took the form of the deepening subsumption of hitherto pre-capitalist producers in the circuit of capital through the further commoditification of elements of their reproduction instead of the expropriation of their lands and their conversion into wage labourers. This outcome was not the pre-determined policy of the colonial state. The conscious attempt of the colonial state to effect changes in indigenous land relations through the 1894 Crown Lands Bill and the Public Lands Bill of 1897 failed. The transformation that produced the dominance of smallholder property in agriculture was the result of changes in nature of pre-capitalist tenure effected by the spread of agricultural commodity, especially cocoa, production.

The colonial state, as shown in Chapter 2, was interventionist from the very beginning as it sought to extend and consolidate its political power at the expense of indigenous rulers and create the conditions for the more systematic penetration of capital and the spread of commodity relations including export agriculture. Forced labour, mobilised through the structures of traditional authority and justified by a spurious reference to customary law, made a major contribution to the opening up of the country, especially the cocoa producing areas. The abortive Crown Lands Bill of 1894 and the Public Lands Bill of 1897 discussed in Chapter 3 formed part of the efforts of the colonial state to create the conditions for the penetration of capital into the Gold Coast economy.

Although the main concern of the Bills was to facilitate the operations of British mining capital the laws would have had far reaching consequences for agriculture. The colonial state's retreat, in the face of local protests, from the far reaching aims of the 1897 Bill and the passage of the circumscribed Concessions Ordinance in 1900 did not affect the core objective of aiding British mining capital. The retreat from the policy embodied in the 1897 Lands Bill represented an early illustration of the inherent fragility and an unstable equilibrium of the colonial state, based as it was on indirect rule. As the discussions in Chapters 3,4 and 5 show this political character of being simultaneously rooted in the metropolitan bourgeoisie and local ruling strata remained a constraint on its activity throughout the colonial period. The failure to pass the 1897 Bill meant that the transformation of land relations in agriculture emerged from the interstices of existing pre-colonial tenure.

The transformation of land relations that accompanied the spread of cocoa production wrought important changes in "customary law". The discussion in Chapter 3 shows how new forms of "customary law" private property in land, especially the interests of the new usufructuary and the new "stranger" emerged out of pre-capitalist land relations. The incidents of these new interests and the contradictions that the development bred, offer evidence to support the contention made in Chapter 1 that cocoa production resulted in a) uneven changes in pre-capitalist legal forms, b) the partial altering of the appearance of these forms, e.g the usufruct, the *abusa* tributary relationship into a form of tenancy based on contract, and c) the radical transformation of some concrete concepts, e.g the transformation of the subject's usufruct into a virtual freehold interest.



While the overt and mediating role of the colonial state and its institutions - courts, administrators in the transformation of landed property relations was related to the deepening subsumption of the cocoa peasantry by capital and contributed to that process, the changes cannot be explained simply in terms of a "functionality" for capital or colonialism. The analysis in Chapter 3 demonstrates that the process of transformation was deeply contradictory and the role of the state inconsistent. "Solutions", such as the judicial recognition of the practical transformation of the "customary law" usufruct into a form of private property spawned new problems, in the instant case a challenge to the system of indirect rule. The persistence of old legal forms and appearances with radically new content, expressing the new political and economic relations created by commodity production, lay at the root of the conflicts between usufructuaries and tenants on one side and chiefs on the other about the precise terms of the interests of the occupier and also in jurisdictional disputes between chiefs. The problems with land acquisition for the GOPDC, TOPP and BOPP and the substantial investment these enterprises had to make into providing housing for plantation labour so as to attract and keep a stable labour force underline the enduring effect of the transformation of landed property relations that occurred in the early years of colonial rule.

The development of cocoa production was in keeping with the colonial state's overriding aim of promoting export agriculture. However the character of the agrarian transition with which it was bound up meant that capital did not directly control and organise the production of the crop to ensure the output of cocoa in quantities and of the quality desired by the industrial capitalist user of the raw material. Unlike the

capital-wage labourer situation where the relationship and struggles between the parties centre around the conditions of labour in the production sphere, that between the cocoa producer and capital pertained to both the sphere of production and also of circulation and attendant conflict over the realisation of the value of the peasant's product. In formal legal terms while the relationship between capital and wage labour is mediated by the labour contract, that with the peasant producer was expressed in a contract for the sale of goods.

Chapter 4 discussed the organisation of the cocoa marketing system and the mechanisms by which merchant and industrial capital, especially the former, exerted control over the cocoa production process even though it did not undertake the organisation of the immediate labour process which remained in the hands of the farmers. Debt relations played a central role in the cocoa industry, not only by ensuring the merchant firms a share of the market but in ensuring the reproduction of a substantial section of the cocoa peasantry constituted an important mechanism of their subsumption to capital. The analysis in Chapter 4 demonstrated how the growing real subsumption of the peasant by capital was directly linked to both his formal independence from capital and increasing dependence on commodity production which therefore made him vulnerable to cyclical price movements. An important consequence of this dependence and adverse price movements was shortfalls in income creating scope for the operation of usurer's capital described by Marx (1981,728) as "twin brother" to merchant capital, as usurious activity by merchant capital through money advances against future deliveries of cocoa by needy farmers. Linked with the

usurious operations of merchant capital was the transformation of important customary law forms of mortgaging.

The legal categorisation of brokers' advances as pre-payment under contracts for the sale of goods rather than as money lending transactions made it easy for colonial officials to persist with a policy of blaming the problem on the natives' lack of economic rationality and to continually bemoaning the debilitating effect of usury and peasant indebtedness on the production and quality of cocoa while failing to devise any concrete measures to deal with the problem. The tendency of colonial officials to blame indebtedness on the farmers' lack of thrift also neatly side stepped an examination of the fundamental role played by merchant's credit in ensuring the merchant's control over the producers.

The double standards in the colonial state's tolerance of economic and legal arrangements that facilitated the operations of international capital in the name of freedom of contract was starkly highlighted by the response to the cocoa hold-ups. Both the hold-ups and the buying agreements among the buying firms represented collective action by capital and labour in the struggle in the sphere of exchange over the realisation of the farmers' product. While the use of the courts and political officers to ensure "freedom of contract" and prevent acts in restraint of trade was formally defended as protecting the liberty of all citizens the failure of the colonial state to act against the cocoa buying firms whose buying and market sharing agreements meant that the state was actually acting to ensure that the collective might of capital would not be confronted by the collective might of the producers but rather



atomised and weak individual sellers. Behind the proclamations about a concern for the rule of law and non-interference in commercial relations in the cocoa trade the policy of the colonial state objectively underlined its nature as representing the interests of British capital.

The colonial state's promotion of the interests of capital were even more evident in the long running and varied efforts to regulate cocoa cultivation and crop preparation standards discussed in Chapter 5. If the hold-ups indicated the limits of how much control capital could exert in the sphere of exchange the difficulties that all the schemes for regulating quality run into showed the even greater difficulty of controlling the labour process of peasant producers. While the peasant's indebtedness to the broker creates a contractual obligation to deliver cocoa and therefore provides a legal basis for capital's control over the producer, the efforts of capital and the state to extract extra labour from the producer by way of improvements in farm maintenance and crop quality could not be located within a framework of mutual obligations. The tactic of the colonial state of seeking to achieve its cultivation and quality objectives through the use of the institutions of indirect rule and farmers' cooperatives, was based on a recognition of the coercive nature of the campaigns. As the hold-ups showed, the indigenous political system retained significant legitimacy despite the co-optation and subordination of chiefs by the colonial state.

The cocoa hold-ups during the 1930s Depression represented a sharpening of the conflict between the cocoa peasantry and capital. The accompanying heightening of the contradictions between the institutions of indirect rule and the central government

did not only underline the fragility of the colonial political order but also undermined its legitimacy. While the colonial government could invoke the rule of law and the liberty of the citizen to justify the repression of localised cocoa hold-ups such as took place prior to that of 1937-38, it could not do so with the hold-up of 1937-38. The quotations on page 118 clearly show that colonial officials recognised it as a strategic confrontation with implications well beyond the price of cocoa. Thus in 1948, ten years after the momentous hold-up, an urban led protest against the same merchant firms turned the fissure opened up in the colonial order by the rural led 1937-38 protests into an unbridgeable chasm between coloniser and colonised. The 1937-38 hold-up and the 1948 riots were two sides of the same coin which called into question both legs of the import-export activity of merchant capital. The hold-up of 1937-38 was triggered by discontent over their operation as buyers and exporters while the 1948 riots that sparked off the process of decolonisation, and in the process highlighted unfulfilled demand in the home market, targeted their activity as sellers of imported goods.

As indicated in Chapter 6 the interventionism of the post-colonial state to meet home demand of sugar, vegetable oil and soap was partly a continuation of belated efforts in this direction in the twilight of the colonial era. The greater attention the post-colonial state has given to the meeting of domestic demand and the approaches adopted for doing so have to be understood not only in terms of the political dangers posed by shortages of food and non-durable consumer goods but also in terms of the strategies of accumulation by the ruling classes and their relationships with international capital. On pages 12-19 attention was drawn to the shifting emphases

of successive Ghanaian regimes on accumulation on the basis of private or state property and the international context within which these shifts occurred. The discussion in Chapter 6 of the genesis of Unilever's soap factory in Ghana provides a good illustration of how the new forms of internationalisation of capital dove-tailed with the policy orientations of the post-colonial state. As is demonstrated in Chapters 6, 7 and the Appendix on the Special Agricultural Scheme (SAS), while there was domestic economic justification for expanding oil palm production and rehabilitating the sugar industry the specific responses embodied in GHASEL, BOPP, TOPP and GOPDC were moulded by contemporary forms of internationalisation of capital.

The discussion in Chapters 7, 8 and 10 of the role of the post colonial state in the establishment of GHASEL, BOPP, TOPP and GOPDC, and its relationship with international capital demonstrates both a continuity with the colonial state and marked differences. The colonial state, an obvious instrument of foreign domination, conscious of its own fragility, sought to legitimise its facilitation of the activities of international capital behind proclamations of a civilising mission and a concern for the rule of law and the liberty of the citizen. It hardly undertook direct productive economic activity until the period after the Second World War. The post Second World War colonial policy mirrored state interventionism in Britain itself. In contrast the post colonial state, proclaiming a concern for national "independence" "development" and "self reliance" actively facilitated the operation of international capital. Chapters 7, 8 and 10 demonstrate the forms this facilitation took in the cases of GHASEL, TOPP, BOPP and GOPDC.



As the analysis of the relationships between the state and the various types of international capital involved in the projects show, contract was the main legal mechanism through which state policy was subordinated to the interests of international capital. It has however been pointed out and demonstrated in the discussion of the post colonial projects that the alliance of state-IDFIs-TNCs in each of the projects represented a unity of convergent and contradictory interests. For the post-colonial state domestic shortage of capital, technology and managerial know how represent real constraints which impel a resort to international capital in the form of loans from IDFIs, or joint ventures and/or management and technical assistance contracts with TNCs.

However as the discussion of gestation of the projects and of the terms of BOPP's Heads of Agreement, Chapters 7 and 8 respectively show, the terms which are negotiated with IDFIs or TNCs are not simply the unavoidable result of the economic weakness of the post-colonial state but also how the ruling regime perceived the role of international capital. In the case of GHASEL the NLC-Busia regimes, for whom "anything that outside powers or foreign capital proposed was gospel" (First, 1970, 387) left the World Bank to determine the shape of the ultimately disastrous project. The absence until 1986 of a mechanism for monitoring the terms and implementation of technology transfer agreements, an important instrument for the transnationalisation of capital, highlights the institutional weaknesses of the post colonial state and therefore the possible limits on the value of formal contractual terms in agreements with TNCs. The analysis of management contracts in Chapter 10 shows that not only are management and technical services expensive but because they have become a

relatively risk free instrument for the extension of the influence of TNCs accompanied by a healthy economic return monitoring of contract implementation is as important as the formal terms of agreements.

The contract farming schemes under GHASEL, TOPP and GOPDC constituted specific instances of a convergence between the "rural development" and agricultural "self reliance" concerns of the post colonial state, new orientations of agribusiness TNCs and the role of IDFI in the extension of commodity relations in the agrarian sectors of underdeveloped countries. There are striking points of similarity as well as important differences in the situation of the contract farmer and the colonial cocoa farmer. Applying the wide definition of contract farming offered by Roy (quoted in Glover, 1990, 4) as

those contractual arrangements between farmers and firms, whether oral or written, specifying one or more conditions of production and/or marketing of and agricultural product

the cocoa farmer who took an advance from a broker was no less a contract farmer than a GHASEL or GOPDC outgrower. In both cases debt relations represent an important mechanism of subsumption to capital. However while this relationship is formalised and recognised as a loan transaction in the case of the outgrower this was not the case with the cocoa farmer tied to the merchant by a broker's advance.

The credit nexus in contract farming schemes discussed Chapter 9 however differs in important ways from that of the cocoa industry. The broker/moneylender's advance basically fed on the reproduction squeeze on the producer and while such credit ensured his continued reproduction as a cocoa farmer it did so with negative

implications for quality. The advances to the contract farmer on the other hand distinguished between productive capital and money for private consumption and the arrangement is formally sensitive to crop quality standards. This difference is not surprising. Like the case of Cadbury's and other industrial users of cocoa the outgrowers crop was a raw material for the mill of the nucleus estate which was therefore as concerned about quality as it was about the quantity delivered by the outgrower. This is reflected in the terms of the outgrower contract under which the estate, units of productive capital created by the union of state and international finance capitals, unite the roles of buyer, creditor and enforcer of cultivation and quality standards. By contrast in the case of the cocoa farmer these roles were respectively dispersed among the merchant and industrial buying firms, brokers and moneylenders and the state.

Unlike the situation of the cocoa farmer where crop cultivation and quality standards are the subject of state coercion they form part of the contractual relationship between contract farmer and estate. Some of the issues of conflict and dispute between farmers and estate, such as prices and cultivation standards are similar to those that occurred in the relationship between the cocoa peasantry, capital and the colonial state. In situations of acute conflict such as developed between GHASEL and its outgrowers, the forms of farmers protest and resistance are also similar such as cutting back on production and seeking alternative buyers for the crop. This is so notwithstanding the contractual provision which empowers both GHASEL and GOPDC to enter the farms of defaulting outgrowers to carry out cultivation or harvest.



The last point underlines the difference between the contract farmer and the cocoa farmer in the extent of control capital has over the farmer's production process. The outgrower contract in integrating credit, price and input supplies offers the farmer freedom from the uncertainties about an economic return on his labour carries the price of a spelled out circumscription of his freedom in the labour process. In theory the contract farming arrangement with its guarantee of inputs, credit and market at predictable prices should reduce the precariousness and uncertainty about output and income which were the near permanent clouds that hung over numerous cocoa farmers. Despite the higher degree of subsumption by capital the contract farmer still shared the basic characteristic with the cocoa farmer of being in immediate control of his farm.

The contract farming schemes represented a compromise between the reality of predominantly smallholder production and capital's need for efficient but cheap labour. A recognition of the fact of this compromise is reflected in the emerging perspectives of the World Bank and FAO about future tree crop, including oil palm, projects in Ghana. In a 1989 Confidential Report on Tree Crops in Ghana the FAO and World Bank proposed an abandonment of public sector large scale nucleus estate approach to tree crop development and a focus on smallholder production. The Report cited the high cost of expatriate management that the projects require, the problems of land acquisition of the type experienced in respect of TOPP, BOPP and GOPDC due to the country's "complex land tenure", and greater ability of smallholder production to utilise existing labour resources and labour supply problems around the oil palm

estates and more equitable distribution of the benefits as some of the factors favouring smallholder production (FAO,1989,25)<sup>1</sup>.

The emerging FAO/World Bank perspective on tree crop cultivation implies both a recognition of the possibilities of smallholder production as shown by the contract farming component of GOPDC and a questioning of the strategy of state-IDFI-TNC alliance on which TOPP and GOPDC were based. There are strong grounds for believing that the disavowal of the TOPP and GOPDC models has more to do with a shift in the model of accumulation favoured by Ghana's ruling regime and in the policy orientations of the IDFI's which funded the projects. Firstly and most significantly the turn away from large public sector agricultural schemes is being proposed in the context of a swing by both the Ghanaian state and international finance capital against state involvement in productive activity and the encouragement of private accumulation. Despite its success GOPDC is being privatised. It and TOPP belong to the long abandoned "basic needs" era of the IDFI's and public sector led "self reliance" phase of Ghanaian state policy.

The point about the determining influence of a new model of accumulation is given added weight when it is considered that the grounds cited to support the argument against plantation culture are not new. Furthermore the definition of "smallholder" that the FAO and World Bank are working with - up to 200 ha - does not foreclose

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<sup>1</sup> The view on the obstacles posed by difficulties with land acquisition confirmed the conclusion the World Bank (1984,10) drew in the middle of the GOPDC project that the "problems of land acquisition faced by this and the Twifo project are likely to discourage the large scale plantation approach to the development of oil palm in Ghana in the future".

the development of plantations. In Ghana a 200 oil palm, estate considering the figures given in Chapter 9 about the average sizes of holdings, constitutes a plantation. Farms near the top of the size scale would face some of the obstacles faced by larger plantations; such difficulty with land acquisition and labour supply. A 200 ha oil palm plantation would be a handy size for a Ghanaian capitalist farmer. Thus as the 1990s unfold yet another shift is emerging in the role of law and state in the internationalisation of agricultural capital in Ghana.



## Appendix 1

### Model Outgrower Contracts

#### Model GHASEL Outgrower Agreement

Agreement For The Cultivation and Supply Of Sugar Cane To GHASEL

This Agreement is made on the -----day of ---19----between GHASEL of the 1st part and the ADB of the 2nd part ----- and ----hereinafter called the Planter of the 3rd part.

Whereas the Planter is the Freeholder/Leaseholder/in customary law possession for a period of not less than 5 years from 1st date hereof---hereinafter called 'the farm').

1. ADB with the consent of GHASEL agrees

a) to make loan to the Planter of a sum which shall(subject to review by ADB and GHASEL) in the 1st year of sugar cane cultivation cover 80% of the cost of clearing of the farm including ploughing, harrowing,furrowing and ridging, 100% of the cost of planting material and fertilizers and, in the case of a loan for new planting of a new farm a living allowance of not more than C300 payable in two equal instalments, the first after clearing and the second after weeding, and second through to the 5th year to provide 100% of the cost of fertilizers and other inputs and 80% of the manpower required for harvesting based on a productivity of a minimum of .70 ton cut and loaded (green cane) per man day.

b) To provide the Planter all necessary administrative assistance in the management of the farm.

2. The Planter hereby agrees-

a) to pay interest on the principal amount of the loan granted to him by ADB from time to time outstanding at the rate of 9% per annum or such other higher rate as ADB, in consultation with GHASEL's hall determine from time to time;

b) to repay the said loan together with interest thereon in four successive annual instalments respectively of 35%, 35%, 20% and 10% of the principal amount thereof, the first such repayment to be made immediately following the harvesting of the plant crop;

c) to plant, cultivate and harvest at least 3 ratoons subsequently all of them being in accordance with the agricultural and technical advise of GHASEL;

d) to prepare the first crop and to plant at such a time as to ensure the proper length of vegetation period and full maturity at the period of harvesting stipulated in the crushing programme as made by GHASEL.

'Crushing Programme' is defined in the context of the Agreement as the programme made by GHASEL of the square of the fields to be harvested having regard to the proper age and maturity, and, therefore, the optional sucrose content of the sugar cane at the time of the harvesting. GHASEL shall issue at regular intervals a schedule of daily supply quota based on the crushing programme. This schedule of daily supply quota based on the crushing programme may be subject to reasonable changes with regard to the circumstances beyond GHASEL's control, provided that sufficient motive not less than 48 hours shall be given to the Planter;

e) to obtain the prior approval of GHASEL and ADB before extending the average of his cane plantation;

f) not to plant at the farm or elsewhere any variety of sugar cane except that approved by GHASEL,

g) to plant the seed cane immediately on delivery in case such seed cane is supplied by GHASEL

h) to allow the employees, servants or agents of GHASEL proper access to all parts of the farm for the purpose of field control, estimating, checking on harvesting and sample taking, in matters related thereto, provided that GHASEL's employees, servants or agents shall exercise due care to avoid damage to the crop or the crops thereon,

i) to construct and maintain in consultation with GHASEL proper access roads and drains along such roads into the farm;

j) to harvest and prepare the sugar cane properly by cutting at soil level, clearing of trash and topping of the cane according to GHASEL's instructions before loading it into transport vehicles for delivery to GHASEL's factory.

However, if the cane is unfit for milling, GHASEL will buy at a reduced price depending on the quality. In case burning of cane prior to harvesting will be introduced, the Planter should not burn more cane than will be needed the following day for harvesting in accordance with the daily supply quota;

k) not to sell or crush or transfer any sugar cane plant under this Agreement to any other party without the written consent of GHASEL and ADB,

l) to follow the crushing programme and daily supply quota as made by GHASEL in consultation with the Planter, and in case no GHASEL transport is used to adhere to the loading guidelines to be stipulated by GHASEL.



A schedule of daily supply quota will be made and issued by GHASEL at regular intervals and the Planter shall adhere strictly to this schedule of daily supply quota including the time schedule fixed for burning, cutting and loading. The schedule of daily supply quota will also be valid for Sundays and Public and Statutory holidays if the factory happens not to continue operations during such days.

Furthermore, the weight, as determined on the GHASEL factory weighbridges, is to be accepted as the correct weight of the cane;

m) to absolve GHASEL from any responsibility or financial obligation for any sugar cane left standing on the farm at the end of the crushing season as the result of the Planter's failure to following the schedule of daily supply quota based on the crushing programme. The Planter will be informed immediately when said failure occurs during the harvesting season;

n) to use fertilizers, insecticides and chemicals according to the advice and prescriptions of GHASEL and as delivered by GHASEL charged at the cost price at the GHASEL factory store plus 10% to cover the cost of financing and overheads;

o) to implement all fire precautions and to hold GHASEL responsible for any damage caused by fire;

p) that in case of failure by the Planter to implement all fire precautions ADB has the right to implement than and charge the cost of such implementations against the Planter.

### 3. GHASEL hereby agrees

a) to purchase all the sugar cane produced by the Planter in accordance with the terms of this Agreement;

b) to pay the Planter per ton of sugar cane delivered at the factory an amount as determined by the schedules attached hereto as Annex i & ii. The Planter will accept the analysis as determined in GHASEL's laboratories as building;

c) to provide transportation for the Planter for seed cane, if this seed cane if this seed cane is supplied by GHASEL, from GHASEL's estate/nursery to the Planter's farm at the rate of C0.10p t/m. Transport of harvested cane from the farm to the factory will be provided at the rate C0.10p t/m. Provided that if GHASEL shall fail to provide transport according to the schedule D.S.Q. GHASEL shall be responsible for the loss which the Planter shall sustain as a result of GHASEL consents to charge only 50% of the above mentioned transport rate;

d) to supply seed cane, if GHASEL deems this necessary to ensure a proper sugar cane crop, to the Planter at the cost of C10.00 per ton ex GHASEL's estate/nursery.

e) to advise the Planter on all matters dealing with all problem of cane cultivation and all matters related thereto;

f) to provide to the Planter all agricultural and technical advice necessary for the efficient cultivation of sugar cane;

g) to inform ADB promptly where a farmer neglects to observe proper fire precautionary measures.

#### 4. The Parties Hereto Further Agrees as follows:

a) If the Planter fails to cultivates the farm, propose the S.C properly or harvest the S.C.ADB shall have the right to hire labour to do cultivation and/or harvesting and charge the Planter accordingly with the cost;

b) If GHASEL finds it necessary to treat the S.C against diseases or pests with chemicals, or such other means as until be deemed appropriate by GHASEL for the containment and/or the combating of the diseases pests, the Planter shall pay the cost of such treatment.

c) If ADB shall finance the Planter in the cultivation and maintenance of the farm, GHASEL shall pay the e proceeds of S.C bought from the Planter to ADB for the a/c of the P and ADB shall have the owner to enforce against GHASEL payments of the proceeds. However, GHASEL has the to deduct from the proceeds, before payments is made, the costs incurred by GHASEL for or on behalf of the Planter, including but not limited to, costs of fertilizers, insecticides and often chemicals, seed cane (if seed cane is supplied by GHASEL), passport of such seed cane, and transport of commercial cane. Details of such deductions shall be made available to ADB in respect of each of each Planter financed by ADB.

Payment of the proceeds by GHASEL to ADB shall continue until any loan granted by ADB together with interest thereon has been fully repaid by the Planter within 30 days after such full repayment ADB shall notify GHASEL and thereafter payments will made directly to the Planter.

d) GHASEL shall pay to ADB for the a/c of the Planter for sugar cane bought by it from the P within 30 days from the end of the month of delivery. So, however, that where GHASEL shall, at its discretion, decide to buy sugar cane not burnt in accordance with the d.s.q/c.p., payment therefore may be made within 30 days from the end of the month the cane was to be delivered pursuant to the sand d.s.q/c.p. If GHASEL shall fail repay for the S.C. so bought within the stipulated period, GHASEL shall be liable to pay interest on the amount outstanding at the current rate:



e) If GHASEL shall fail to conduct a crushing operation when one is normally due it shall pay the basic price as per the schedule under Article 3(b) appropriate for the year in which the failure occurs for all the matured S.C. which the Planter would have harvested if a crushing operation had taken place GHASEL shall, however, not be liable if the failure to conduct a crushing operation is due to Acts of God and to circumstances beyond GHASEL's control provided reasonably sufficient notice would have been given to the Planter in advance. Also GHASEL shall not be liable for reasonable charges in the schedule of d.s.q. based on the crushing programme; provided the Planter has received sufficient notice thereof not being less than 48 hours.

5. All disputes, differences and questions which may at any time arise between the parties hereto or their respective representatives or assigns touching or arising out or in respect of this Agreement shall be referred to a single Arbitration in accordance with the provision of the Arbitration Act 1981 (Act 38) or any statutory modification or re-enactment thereof for the time being in force.

6. This Agreement shall remain in full force until it is terminated by either GHASEL or the Planter with the written consent of ADB after twelve(12) months notice in writing to the other parties. The termination of the contract shall in this context mean that the Planter will not be allowed thereafter to plant cane for first crop, but he will be allowed to cultivate and harvest the final ratoon from the farm in Agreement between Ghaseh & the Planter.

Annex: Schedule for Payment of cane  
with a lower yield then 9%  
(Based on standard cane yield of 9%)

Yield	₹ per Ton	Yield	₹ per Ton
6.0	6.67	11.9	12.11
6.1	6.78	12.0	12.22
6.2	6.89	12.1	12.33
6.3	7.00	12.2	12.44
6.4	7.11	12.3	12.56
...	....	....	.....
...	....	....	.....
8.5	9.44	13.1	14.11
8.6	9.56	13.2	14.22
8.7	9.67	13.3	14.33
8.8	9.78	13.4	14.44
8.9	9.89	13.5	14.56
...	....	....	.....
...	....	....	.....
9.0	10.00	14.0	15.00
9.1	10.11	14.1	15.11
9.2	10.22	14.2	15.22
9.3	10.33	14.3	15.33
9.4	10.44	14.4	15.44

**Agreement between GHASEL and ADB dated 4th May 1993**

This agreement made the fourth day of May 1993 between the GHASEL sugar Estate Ltd, a Ltd liability Co in ways under the laws of Ghasel and the ADB.

Whereas

- 1) This Agreement is being made in accordance with the provisions of the Law Credit Agreement dated 29/1/73 between IDA & the Republic of Ghana the Project

Agreement dated 29/1/73 between IDA and ADB and the Project Agreement dated 27/1/73 between IDA & GHASEL.

2) GHASEL carries on business (i.a) as manufacturers of sugar & holds titles to the sugar factories, S.C plantations & other lands comprising 18,730 acres at Asutsuare, approx 40 miles north of Accra, and 5,705 acres at Komenda approx 120 west of Accra.

3) The quantities of sugar cane produced by GHASEL'S factories at optimum capacity.

4) GHASEL agrees to have the supplementary quantity of sugar cane necessary to feed the factories at optimum capacity supplied by Planters

5) ADB intends to grant loans in accordance with the obligations under Point B of the Law Credit Agreement for the planting of approximately 2,375 acres of farmers cane at Asutsuare and 1,500 acres at Komenda & replanting of farmers' cane of approx 5,200 acres at Asutsuare & 3,500 acres at Komenda and Fertilisation and thereof and related activities.

6) The parties are desirous to ensure the regular and efficient supply of suitable sugar cane to feed GHASEL'S factories.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. Ghasel hereby agrees

a) to provide the agricultural & technical advice to the Planters with whom a separate contract has been concluded and to have in its service adequate personnel for this purpose; to undertake to carry out technical appraisal of potential



Planters, in accordance with the terms of 5.3.05 of the GHASEL Project Agreement with a view to locating sufficient planters within the terms of Schedule 1 of the ADB Project Agreement to enable Point B of the Project to be carried out

b) at the expense of the Planters with whom GHASEL has included and separate contract to supply the said planters with healthy and sufficient seed cane in case this is necessary by GHASEL and fertilisers insecticides and other chemicals, according to Part B of the Project, requisite for the efficient cultivation of S.C. and the representation of the S.C crop, all in accordance with GHASEL'S agricultural and technical advice

c) at the expense of the Planters with whom GHASEL has been concluded a separate contract, to provide these Planters transport facilities for the transportation of seed cane (in case this is deemed necessary by GHASEL) from GHASEL'S estate/nurseries to the Planters farms at the rate of C0.04 per ton/mile and for the transportation of harvested cane, cut according to the schedule of daily supply quota based on the crushing programme, from the Planters' farms to its factories at the rate of C0.04 per ton/mile the charge so stated shall be computed under a formula set by GHASEL and agreed by ADB and shall be subject to review and on revision from time to time as may be deemed necessary in the light of any changes in costs, brought about by economic under the agreed formula. Crushing programme is defined in the context of this Agreement as the Program made by GHASEL of the sequence of the fields to be harvested having regard to the proper age and maturity and therefore the optimal sucrose content of the sugar cane at the time of harvesting. GHASEL shall make and issue at regular intervals a schedule of daily supply quota based on the crushing program. This schedule of daily supply quota based on the crushing

programme may be subject to reasonable charges in case of circumstances beyond GHASEL'S control, provided that sufficient notice is given to the Planters, such notice shall not be less than 24 hours

d) that priority should be given in so far as practicable to Planters' whose cane is accidentally burned. The Schedule of daily supply quota will then be charged in such a way that Planter will suffer the least possible loss

e) to purchase good quality sugar cane from by the Planters on terms and conditions as GHASEL, ADB Planter shall agree upon

f) to pay, within 30 days of delivery of the cane, the proceeds of sugar cane bought from the Planter financed by the ADB to ADB for a/cs of the said planters after GHASEL has first deducted from these proceeds the costs of transporting the cane and such other costs as GHASEL shall have incurred for or on behalf of the farmer, including but not limited to the supply of fertilisers, in insecticides and other chemicals. After deducting the Planter's repayment instalments, ADB shall pay to the Planter the balance of the proceeds of sale. ADB will give GHASEL notice in writing within 30 days after the end of the period of financing by ADB of a Planter of such ending of the financing period. Thereafter payments will be made directly to the Planter concerned.

## 2. ADB hereby agrees:

a) to grant loans to the Planters on terms and conditions agreed upon by GHASEL, ADB and Planter to cultivate S.C to supply to GHASEL'S own plantation

b) to provide the Planters administrative services and facilities as necessary for the efficient functioning of Planters operation

3. The partners hereto further Agree as follows:

- a) That they will enter into a tripartite agreement with each Planter
- b) That this Agreement may be determined by one party giving to in other 12 months notice in writing but without prejudice to any rights or liabilities of the parties which accrued before the date of termination.

**G.O.P.D.C Smallholder Lease**

THIS LEASE is made the ---- day of ----19- between GHANA OIL PALM DEVELOPMENT CORPORATION (GOPD) acting by its Managing Director (hereinafter called the "LANDLORD" which expression shall where the context so admits include the person or body for the time being entitled to the reversion immediately expectant on the determination of the term hereby granted) of the one part and

.....

(hereinafter called the "TENANT" which expression shall were the context so admits include his successors in title) of the other part.

WITNESSETH as follows:



1. The Landlord hereby demises to the tenant ALL THAT PIECE OF LAND containing an approximate areas of -- acres situate at Kwae in the West Akim Abuakwa District in the Eastern Region of the Republic of Ghana and more particularly described as Plot No.-----

and delineated on Plan No.--- attached hereto and thereon shown edged pink which together with other lands adjoining are held by the landlord under lease dated 30th March, 1976 and made between the Government of the Republic of Ghana of the one part and landlord of the other part. TO HOLD the same unto the tenant for the term of 25 years from the --- day of -- PAYING therefore the yearly rent of ---payable on the --without deduction.

2. The tenant hereby covenants with the landlord:

i) To pay the reserved rent on the day aforesaid.

ii) To defray all existing and future rates, charges, taxes, duties, assessments, impositions and outgoings payable by law in respect to the demised premises by the other or occupier thereof.

iii) To use the demised premises or any building or buildings thereon only for Agricultural purposes and purposes ancillary thereto.

iv) Not to do or permit to be upon the demised premises any act or thing which shall cause or become a nuisance annoyance or inconvenience to the landlord or to the occupier of any of the adjoining premises.

v) To keep any buildings on the demised premises and all additions thereto and road, drains, compound and appurtenances thereof clean and in good and substantial state and condition.

vi) To permit the Landlord or his agent with or without workmen and others at all reasonable times to enter upon the demised premises to view the same and for any purpose whatever and forthwith to remedy and defect arising from breach or non-observance of any of the Tenant's stipulations herein contained of which written notice shall be to him.

vii) To farm, cultivate and manage the demises premises in a good and husbandlike manner according to the methods of husbandry approved by the Landlord so as to keep the whole at all times in good heart and condition and not to allow any part to become impoverished or injured or deteriorated by exhausting crops or otherwise.

viii) To reside with his family permanently on the demised premises and not without the Landlord's previous written consent to part with the possession of or assign or underlet or otherwise alienate(except by will or any other lawful testamentary disposition in favour of some member of his family) the demised premises or any part thereof except labourer's cottages with their appurtenances and as those only to labourers employed on the demised premises.

ix) Not to commit or to permit or suffer spoil or waste on any part of the demised premises.

3. The Landlord hereby covenants with the Tenants as follows:

i) To permit the Tenant on his paying the rents hereby reserved and observing and performing the several covenants and stipulations herein on his part contained shall peaceably hold and enjoy the demised premises during the said term without any interruption by the Landlord or any person lawfully claiming under or in trust for him.

4. If the rent hereinbefore reserved or any part thereof shall be unpaid for the space of 3 months next after the said days of payment (whether formally demanded or not) or if there shall be any breach or non-observance of any of the stipulations hereinbefore contained on the tenant's part to be observed and performed then it shall be lawful for the Landlord to re-enter upon the premises or any part thereof in the name of the whole and to have the same again as in his former estate and from thenceforth the tenancy hereby created shall cease and determine with out prejudice to the Landlord's right and remedies for any rent or breach of stipulations on the Tenants's part under this agreement.

5. This demise shall be determined by either party giving to the other six calender months previous notice in writing to expire on ----- and on the expiration of such notice the demise shall cease and determine but without prejudice to any accrued right of action in respect of an y antecedent breach.

6. At the expiration or sooner determination of this demise or within three calendar moths thereafter the Tenant shall remove, carry away and dispose of implements and articles and things whatsoever below belonging to or used or employed in or about the said land by the Tenant.

7. If the Tenant shall during the term granted have erected any building, dwelling houses, sheds and erections of similar nature and if at the expiration or earlier determination of the lease the Landlord shall be desirous of taking over any of the same and shall give notice in writing to the Tenant of such desire at least three



calendar months before the expiration of the term or three months after an earlier determination then the buildings specified in such notice shall be taken over by the Landlord at a price to be agreed upon between the Landlord and the Tenant.

IN WITNESS WHEREOF the party hereto of the first part has hereunto set his hand and affixed the seal of the GHANA OIL PALM DEVELOPMENT CORPORATION and the party hereto of the second part has hereunto set his hand and seal the day and year first above written.

SIGNED SEALED with the Seal  
of the GHANA OIL PALM DEVELOPMENT  
CORPORATION AND DELIVERED by the  
said Managing Director

In the presence of :

SIGNED SEALED AND DELIVERED

by the said

in the presence of :

# AGREEMENT Between GHANA OIL PALM DEVELOPMENT CORPORATION and OUTGROWER

Date:----- 19----

THIS AGREEMENT is made on the ----- day of ----- 19---

between GHANA OIL DEVELOPMENT CORPORATION, a public corporation established under the laws of Ghana whose registered office is in -----in the ---- Region of Ghana (hereinafter called "GOPD," which expression shall where the context so admits or requires include its successor and assigns) and-----

-----whose address is -----in the -----Region (hereinafter called the "Outgrower" which expression shall where the context so admits or requires include his personal representatives, successors and assigns).

WHEREAS the Outgrower has provided to GOPD evidence satisfactory to GOPD that the Outgrower has exclusive rights to farm for a period of not less than 20 years from the date hereto to

----- acres (to be not less than -----acres) of land suitable for ----located at -----  
(describe land) (hereinafter called the "Farm");

WHEREAS the rights of the Outgrower in respect of the farm have been recorded with the District Administrative Office-Kade

WHEREAS the Outgrower

presently has under cultivation on the Farm ----- acres of oil palm (of the

approximate average age of ---- years) of which ----acres, if any, have been planted with financial assistance from GOPD, and the Outgrower now plans to plant----- acres of oil palm with assistance of the Loan provided for in this Agreement (the total of the latter two figures not to exceed 20);

WHEREAS NO member of the Outgrower’s immediate family (father, mother and dependents) has received or applied for financial assistance from GOPD, except as has been disclosed in writing to GOPD; and

WHEREAS the plot(s) to be planted with the assistance of such loan are no more than ----- yards from the road known as -----

IT IS AGREED AS FOLLOWS:

1. GOPD agrees:

a) to make a loan (hereinafter the "Loan") to the Outgrower for the purposes indicated below (estimated to represent 100% of the cost except for labour).

<u>PURPOSE</u>	<u>PERCENTAGE OF COST</u>
Planting material	100%
Fertilizer	100%
Wire Collars	100%
Other Supplies	100%
Labour	80%



Provided that:

i) such amounts shall be made available to the Outgrower as they are required to finance the goods and services covered

ii) all planting material shall be supplied by GOPD at reasonable prices:

iii) no planting material shall be made available to the Outgrower until the Outgrower has provided evidence satisfactory to GOPD that Outgrower has made adequate preparation for the planting thereof

b) to collect from the road referred to in the Preamble hereto at reasonable intervals, and to purchase at reasonable prices to be established from time to time by GOPD, all oil palm fruit produced by the Outgrower from plant material supplied by GOPD (provided GOPD shall not be required to purchase oil palm fruit bunches containing excessive amounts of stones or other foreign material)

c) to pay the Outgrower for such fruit not later than seven days after collection and

d) to deliver suitable planting material to the Farm and to provide the Outgrower administrative, extension and other technical advice and assistance in the management of the Farm.

2. The Outgrower agrees:

a) to pay interest on the principal amount of the Loan from time to time outstanding at the rate of 8% per annum

b) to repay the principal and interest of the 144 successive monthly instalments of equal amount on the day of each month, the first such repayment to be made on-----,------(approximately nine years from the date of this Agreement):

c) that GOPD may collect such instalments by way of deductions from the purchase price of the Outgrower's palm fruit in accordance with Section 3(c) of this Agreement

d) to provide out his own resources sufficient labour in addition to that financed out of the proceeds of the loan to care for the oil palm to be planted with assistance of GOPD

e) to plant promptly on delivery, and cultivate all seedlings supplied by GOPD in so doing to ensure that satisfactory oil palm planting standards in accordance with the advice of GOPD are followed at all times on the Farm

f) to take all reasonable measure to prevent and treat oil palm disease

g) to allow the employees, servants or agents of GOPD access to all parts of the Farm for the purpose of inspecting oil palm and advising on all problems of oil palm planting and all matters related thereto, provided GOPD shall be liable to the Outgrower for any damage caused to the Outgrower's property as the result of the negligence of GOPD's employees, servants or agents.

h) to harvest oil palm fruit bunches at a stage of ripeness, and with a length of bunch stalk, recommended by GOPD;

i) not to sell oil palm fruit from trees planted with the assistance of the loan to any person other than GOPD, and

j) not to dispose of, or to suffer to be transferred, any interest the Outgrower has in the Farm (excluding transfers resulting from the Outgrower's death) without the prior written consent of GOPD.

3. The parties hereto further agree as follows:

a) If a default occurs in the payment of principal or interest hereunder, or if the Outgrower fails in any material way to satisfy the obligations undertaken in this Agreement and such failure continues for a period of 60 days after notice thereof has been given to the Outgrower by GOPD, then GOPD may, at its option, so long as such failure or default continues, by written notice to the Outgrower, declare the principal of the loan provided hereunder then outstanding to be due and payable immediately.

b) If the Outgrower fails to manage the Farm in accordance with the provisions of this Agreement, or to harvest oil palm fruit when necessary, GOPD shall have the right to hire to do the same and charge the Outgrower accordingly with the cost.

c) If GOPD finds it necessary, to treat the Outgrower's oil palms for diseases or pests with chemicals, or such other means as deemed appropriate by GOPD for the containment and/or the combatting of the diseases or pests, the Outgrower shall permit GOPD to do so and shall pay the treatment.

d) Amounts of the loan withdrawn hereunder shall be recorded in the Schedule annexed hereto.

e) In respect of each payment to be made by GOPD to the Outgrower for palm fruit, GOPD shall deduct and pay to itself such amount as shall be required to



meet payments of principal of and interest on, the loan at the time due from the Outgrower to GOPD, if any.

f) GOPD may, at its option, assign its rights hereunder to the Agricultural Development Bank or any other responsible institution, provided that any such assignment shall have no effect on GOPD's obligations to the Outgrower under this Agreement.

g) The Outgrower shall not, directly or indirectly, assign this Agreement without the written consent of GOPD.

h) The Outgrower shall have the right to prepay all or any portion of the loan provided for herein without penalty or premium.

4. All disputes, differences and questions which may at any time arise between the parties hereto or their respective representatives or assign touching or arising out of or in respect of this Agreement shall be referred to a single Arbitrator in accordance with the provisions of the Arbitration Act 1961(Act 38) or any Statutory modification or reenactment thereof for the time being in force.

5. This Agreement shall terminate when all principal of, and interest on the Loan has been paid to GOPD.

AS WITNESS the hands of the parties hereto or their duly authorised representatives on the date first above written.

SIGNED for and on behalf of the

GHANA OIL PALM DEVELOPMENT CORPORATION

-----

IN THE PRESENCE OF

-----

SIGNED by-----

in the presence of

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